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NATIONAL SOLIDARITY: A NON-COMMUNIST MODEL

By E. Stuart Kirby.

A preceding article (in last week's Far Eastern Economic Review) drew attention to the importance of India, as one example of an Eastern nation securing independence and stability without recourse to Communism or to Russia. Attention was drawn to the orderly and unreserved transference of governmental initiative and control in economic policy from British to Indian hands, which preceded the final act of independence.

The British regime left to autonomous India an elaborate heritage of ideas, wishes, and actual plans, in the field of economic policy and development. Even a highly selective list of the documentation up to 1946, considering government publications alone, would—it was noted—run into dozens. And there was much private and partisan work, of all shades of opinion, in addition.

This fact along is sufficient to render ridiculous the Communist depiction of the "Colonial" situation as solely one of enforced backwardness, ignorance and degradation. When one considers that such published data and discussion materials simply do not exist in China, the contrast is startling. Nor are there any very hopeful signs that the maximisation of information, the stimulation of the broadest possible discussion, or the encouragement of hard thinking, are among the first priorities of the New China. In China, "mass education" has come to mean a spate of new books, all tiresomely identical, since each consists of a rehash of the same jargons and slogans; while "discussion" means rivalry in singing the praises of the regime.

The Communist or New Democratic system comes ready-made to China, and the field of discussion is essentially that of ways and means of making China fit into that system; and of classifying, according to the schematism of the New Democracy, any facts which insist on obtruding themselves.

The Doctrine is to mould the Nation. India's is the opposite path, where the Nation is made the prime reality, where confidence is placed in the People, not in the precept; where the procedure is to seek all the facts first, then to discuss as widely as possible, and so to hammer out a resultant policy. The one attitude is "Ye shall know the truth, and the truth shall make you free"; the other, "ye shall know Liberation, and the Liberation will define the truth."

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With one more reminder that it was under the "reactionary" and "repressive" Imperial regime that India was well launched on the former course, we may now turn to consider the progress of the new nation after Independence. Since much has to be said later of defects and difficulties, it may be well to start by bearing in mind the extent of recent success. Partition of the peninsula between India and Pakistan upset the former economic balance of the country, imposing a new pattern of basic resources. One immediate result was the racial turmoil, setting millions of refugees in motion, and bringing dark days of chaos in many places, including the capital. The railway system was described in early 1948 as "nearing collapse"; there was considerable Communist-led sabotage and banditry; war or near-war threatened in Kashmir and Hyderabad; a formidable array of "feudalistic" princes and vested interests faced the government; the administrative and police services were depleted by the departure of their British and Muslim members. In extraordinarily short order, every one of these difficulties has been overcome. Relations with Pakistan have settled to normality and collaboration (in most respects). Economic policies and plans have been energetically and realistically recast; railway traffic has returned to peak figures. Communism is still power-

ful, but its recourse to open violence with such episodes as the communist terrorism in Telingana, are now a thing of the past. Of the Princes, some are still influential—but only by reason of their personal ability, since power over all the States has passed fully to the Republican government.

One of the main political features has been aptly defined by one authority on India as "the reconciliation of the Right." India has never been subject to the class-war philosophy which can see the world only in stark black and white—persons are judged primarily according to their abilities, and not according to political preconceptions. British business was not "liquidated" or squeezed out by extortion; its special usefulness, and technical competence in certain lines of activity, were accepted. What (comparatively little) foreign investment there has been in India since the war has come from Britain (though the Americans have done much more talking on the subject). In the jute and tea industries generally—the commodities on which India's export trade greatly depends—the technical and managerial staffs are mainly British, though the enterprises are largely Indian-owned. As a principal British interest in India, in the business sphere, there still remain the great hongs ("Managing Agency Houses"); in Calcutta, they broadly control the engineering, shipping, coal and jute industries. They too are increasingly taking in Indian capital and Indian personnel; but in cordial association with the British element, not in a struggle for its elimination. Some restrictions are however placed on any new investment by foreigners.

The main strength of the Indian State is however in its reconciliation with its own personnel. It must be remembered that civil servants, soldiers and policemen were generally represented in the old days as the special symbols of the system of alien rule. The new regime won their deep loyalty, because it accepted them as technicians; it did not come to them

and say "here are the problems; please devise the policy." Civil service advice is sought and taken by Ministers, and there is also a Parliament through which it can be expressed—in a manner far more satisfactory than any rubber stamping in a "People's Consultative Committee." The military are no longer "foreign mercenaries," but popular heroes.

All these classes have gained power and status. Their self-respect is enhanced. None of them were required to go through the disgusting performances of public self-cleansing, to confess that their whole previous lives had been made up of deceit and error, and that their little children were wiser than they. It is not, however, that the State has given itself into the hands of these classes—for the latter have lost enormously, in terms of economic and personal privileges. Only in the lowest ranks does present pay represent anything like the real-income levels of a few years ago. Clerks and officers in all the middle and high grades find their pay and perquisites actually slightly reduced, in money terms, and therefore representing only one third or one fourth of their one-time purchasing power, in real terms. Their Class distinctions, in housing, travel, office accommodation, etc. are much diminished; the senior man has a higher ratio of taxation (and a lower ratio of allowances) to income than the junior. This dispensation is not that of a ruling class (though the class enjoys social esteem, and prospects of rapid promotion); it is certainly no less socialistic than the New Democracy.

In fact, this tendency has been carried too far; bribery and corruption have become widespread in the impoverished "bureaucracy", to the extent of being one of the main dangers to the new State. But public opinion is well aware of this, and can, in a democratic system, force an improvement; meanwhile, the fact that stability and progress are nevertheless ensured, is testimony to the correctness of the democratic conception of the relation of the offices to the State, and in particular of the British conception of the Civil Service, which India has inherited.

Greatest of all the tokens that India's has been a Revolution by Enlightenment have been perhaps, the swift breaking down of caste distinctions and prejudices, and the settlement of the problem of the Feudal States. The term "feudal", so loosely and unscientifically applied in China to mean almost anything pre-Communist, can in most cases properly refer to the Indian Rajahs and their domains, where the corresponding social gradation, based on land-holding did in fact prevail.

Even though the National Liberation was not under the leadership of the Communist Party, did not accept the principles of Stalinism, and was not noticeably due to the class movement of the proletariat—all of which conditions are indispensable, we are assured, for the defeat of reaction and the unleashing of the creative powers of the People—yet the Princes generally accepted swiftly the changed situation, and immediately abdicated, from absolute power to absolute powerlessness. They saw "the writing on the wall," the inevitability of this development. That they did so is surely overwhelming testimony to the degree of enlightenment and education, in the democratic setting, so largely established under the British and so effectively taken up by Republican India. That this lightning change could occur without disruption, bloodshed or embitterment, is also attributable to the ground work of democracy, so well done in India and so strikingly absent in China.

But India paid a good price to the Princes; tax-free incomes were granted, totalling a few million pounds a year for the whole class. The Jagirdars (tax-farmers) have so far only been eliminated in one part of the country (Hyderabad—where also they were compensated by the grant of 10 years' rents). But the rest of the country will soon do the same. The Zamindari system (land-grants in return for determined rents) is harder to deal with, but is also being tackled; some property rights are to be secured to the Zamindars, but compensation will be varied, to give the smaller ones as much as 20 times their annual rents, whereas the large holders among them will get bonds affording (after taxation) a mere 1 or 2% of their present revenues. Land tenancy is also coming under control, with the aim of eliminating the lessee system as far as possible, and meanwhile restricting agrarian rents to 25–35% of the crop.

Another villain of the piece in India is the moneylender. Fortunately, he was already under control; the laws of British India, in the latter 1930's (which were enforced) required him in most Provinces to operate only by government licence, and prevented him from extorting more than double the principal sum of any loan (all debts being annulled when the sum lent plus 100% had been returned). More fortunately, in this regard, circumstances conspired against the rural moneylender, in particular; inflation has largely eliminated him and the remnants of this class (which still has some grip on the poorest peasants) are easily "mopped up". Moneylending, or the more crudely speculative type of investment, constitutes a more serious problem in the field of industry.

The name of the Marwaris, in particular, stands for this form of activity and its extension into all kinds of shady dealing. They are the chief target of the socialists, who stress not only their dishonesty and harmfulness but their inefficiency as a basis of industrial finance. The "big" capitalists, in India, are infinitely more enlightened; in contrast to China, the big centralised interests are in comparatively high popular regard, while the representatives of "People's Capital" are in bad odour, and the latter doctrine is not especially stressed, outside Bombay, the main centre for the larger groups. With the Marwaris and other speculative elements, the government refuses to compromise in any such way as it has with the landed interests. But Government—though its inclination is apparently towards State Socialism—has not the man-power or the experience to undertake, in addition to all its other huge tasks, any widespread industrial commitments. It must try to control the structure of enterprise all over the country, if it is not to tolerate "Marwari-ism," on the one hand, and yet on the other to avoid excessive dependence on big capitalist trusts ("Tata-ism"). Its general answer is an extraordinary extension of the policy and practice of State Planning, with special stress on controlled Economic Development (which orientation, as we have noted, was already well defined in the days of British India).

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This planning policy, and the actual economic state of the country, may be detailed in a further article. The above lines give only a sketch of the class relations, but one main issue is clear from the start: though India had problems in that field even graver and more complicated than those of China, the essentially democratic environment (which prevails in India in the true sense of the term) is able to take much more sweeping and constructive action than the boasted "New" version in China (which uses the term Democracy in a curiously inverted way, to mean compliance with the instructions of a minority, which in its turn is subservient to a foreign power).

The essential difference may be that the Indians build from the facts, by education, to the conclusions; while those who are building that ingenious but dangerous edifice, the Leaning Tower of China, are men who are committed to a viewpoint, and lead from the convictions to the facts, instead of vice versa.

CHINESE COMMUNISTS & THE KOREAN WAR

By Y. C. Wang

Just as the Korean War seemed to be drawing to a happy end, the United Nations forces suffered a setback on account of the intensified support given by Red China to the North Koreans. It is causing serious concern, partly because of the deplorable loss inflicted but mainly owing to the possibility of a widening crisis. Communist China is by treaty bound with Russia. If she is involved in a war with the United States or the United Nations, Russia will have to come in sooner or later. Does it mean the beginning of a global struggle?

The first thing to note is that Russia has not made any direct move. Vishinsky has stayed at Lake Success; so has his newly acquired amiable attitude towards the democracies. It is known that in the Communist world nothing can be done without the previous sanction of the Kremlin leaders; so probably Mao Tse-tung is fully supported, or ordered, by Stalin in his new move. It is equally known, however, that in the Communist world the power of a leader to make decisions must be commensurate with the status he enjoys: Mao is certainly not yet great enough to steal the show from Stalin in being the one to set the signal of a world war. Since Russia has not moved, evidently the support tendered by the Chinese Communists to the North Koreans is not meant to be more than a local business.

On the other hand, Red China has thrown its vast propaganda machine into a furious campaign to whip up popular support for intervention in Korea. The government has made no official announcement, but it is bound to come sooner or later in accordance with 'the wishes of the masses'. Merely by the scale of the propaganda launched one can guess that the help to the North Koreans will be considerable and probably extended over a length of time. Thus, in the estimates of the Communists at least, the final defeat of the North Koreans will be postponed to a much later date than is commonly anticipated. This is an important point, for it foreshadows a long and difficult campaign in Korea.

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It has been said that the reasons why Red China, who evidently needs peace more than any other country, is taking part in the war upon a major scale are mysterious. The explanation that Red China is anxious concerning the power stations on the Yalu River is not convincing, for no matter how important they are to the Chinese Communists, no such installations have ever been known to have led a nation to go to war. To say that Red China joins in because she is committed in advance is a flattering compliment to the Communists. Are they known to be so scrupulous in their international obligations in the past?

Another explanation is that Mao Tse-tung wishes to create a buffer zone to prevent the war from overflowing into the Chinese territory. It equally does not hold water. Nobody plunges into the war because he is anxious to stay out of it. Besides, it is the Chinese Communist press that pours unceasing attacks on American Imperialism every day. The blows are not countered by the Voice of America.

The real intention of the Kremlin behind Red China's new move seems to consist of the following points:

1) By prolonging the war in Korea, Russia will pin a large part of the scanty land forces at the disposal of the democracies down to a definite theatre.* All the attention of the world will be focussed on that point. Such a condition cannot fail to be advantageous to the Communists, who are then free to pursue their ends in Formosa and Indochina—Tibet perhaps is too small a target to enter the picture here.

2) The adventure launched by the North Koreans has so far failed miserably. Living on successes as all dictators are, Stalin sees in the failure a serious threat to the very existence of the Communist bloc. Something must be done to postpone the outcome of the Korean War. If the United Nations forces can only be halted short of the border, Stalin's face is saved, for the public behind the Curtains can always be told that the Imperialist forces are on the run and will soon be routed.

3) At the beginning of the Korean War, the United States repeatedly declared that she had no territorial designs in Formosa or elsewhere. Although Mao Tse-tung is ostensibly arrogant towards the democracies, there is no reason to think that he, or Stalin, does not value the admittance into the United Nations very highly. Red China remained neutral to the very last minute because she hoped that she would be rewarded with a decent price for doing so. Since there has been no sign of such a reward, she has thought fit to try another means.

Probably in the opinion of Stalin, Red China's military strength is quite enough to impose severe drain and strain on the democracies. Should the present situation in Korea be stabilized for a considerable period, there might again be divided opinions within the democratic camp as to the advisability of a political settlement. Russia presumably will be at hand to lead her good office this time, and an 'honourable' peace from the point of view of the Communists may yet result. If Mao Tse-tung is admitted into the United Nations, the prestige of the Communist leaders will reach a new high over all Asia. (See a previous article in the October 19th issue of Far Eastern Economic Review).

There is no doubt that Communist China's new move is a dangerous one. It may lead to a global struggle, which not even Stalin can want at this juncture. On the other hand, it is clear that none of the democracies, by the very nature of its political system, can start a preventive war on its enemies. This leaves the full initiative in the hands of the Communists. Stalin is making full use of it tactically.

Another advantage on the side of the aggressors is that Red China can help the North Koreans while she herself is shielded from direct attacks from the United Nations forces. She need not represent herself as belligerent, and Manchuria is quite safe from the invasion of the opposing forces. The maximum risk for Communist China is to lose human lives, of which there are possibly too many in the eyes of the Red Party leaders. The propaganda campaign launched by the Peking regime is designed mainly for internal digestion, serving in the meantime to advise the democracies that Red China cannot be ignored for long in world politics.

* * *

A word must be said on why Communist China is so anxious to gain the admittance into the United Nations. Mao Tse-tung is not sure that his regime is liked by the people. While too much weight cannot be lent to the claims of the Kuomintang regarding the existence of a large guerrilla force on the continent, the Communist press itself is full of reports on peasant rebellions and anti-Communist activities all over the country. The people are putting up a gallant fight against the Communists because they believe that the democracies are on their side. If the Peking regime is recognised by all the Powers and gains the representation of China in the Security Council, there will be no meaning for the people to continue such unequal battles against the government in Peking. All the fighting groups, voluntary or otherwise, will break up in due course.

The Communist regime also is having serious trouble with the industry and commerce in China. The factories are only operating on government support. The impressive figures given by the Communists regarding industrial outputs do not tell the real story. For instance, it is claimed that the spindles in operation in Shanghai now amount to the same number as in 1946. Possibly this is true so far as it goes. But if we take the working hours of the spindles into consideration, the picture is entirely changed. It is reliably estimated that the output of the cotton industry cannot be more than a quarter of that of 1946. Moreover, there is no market for the products.

The city people are, even more than the peasants, against the Communists in their hearts. This is quite clear

CHALLENGE TO THE UNITED NATIONS.

The uncertainty and even despondency which appeared to have descended permanently on the world following the long and seldom fruitful discussions in the Security Council, culminating in the outbreak of war in Korea, has been gradually superseded by a more optimistic point of view. During the past two weeks this optimism has been increasing and today the public, always ready to jump ahead, seems prepared to look forward with ever more assurance than events at this stage perhaps warrant. Individuals are definitely turning once more to a tentative formation of their own particular plans which, in itself, is an indication that stabilisation of world affairs is anticipated.

In view of the recent optimistic utterances of leading men in various countries this reassurance has, it is felt, some foundation although all the speakers never failed to include a

warning in their statements to the effect that all freedom loving people would do well to prepare for eventualities thus indicating that, while "robust hopefulness," as The London Times expressed it, is permissible, danger to world peace still exists and should not be minimised. As Mr. Churchill put it some weeks ago, the successes in Korea "must not lull us into a sense of false security," and with the usual Churchillian caution he added, that "there may be time to build up a European army with strong aid from Britain, the U.S.A. and Canada."

The building up of a European army is the future focal point of all discussions. President Truman's address during the 5th anniversary celebrations of the founding of the United Nations organisation, was naturally the most important of these public utterances and his insistence on a "foolproof world disarmament pact" as a means of staying off a third world war, set the borne towards which the UN must strive. At the same time, like all other responsible members of the UN, the President warned his hearers that there could be no laying down of arms if paper promises of peace and disarmament were the only guarantees to be applied. He envisaged a real disarmament to be followed by a sort of world-wide Marshall plan in which all nations could join. In order to achieve this all weapons, including atomic bombs, must be discarded and disarmament would have to be continuously policed, accompanied by a free and open interchange of information. This point involving the so-called "sovereign rights" of a nation, has always hitherto proved a stumbling block in discussions of this nature, but presumably the nations of the world have now reached a stage when they are prepared to accept any alternative that may hold the assurance of a settled world.

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By openly giving support to the Korean aggressors, Mao Tse-tung has once more displayed his subordinate position in the Communist bloc. It is high time that the democracies should stop to view Peking separately from the Kremlin. Nothing can be gained by the wishful thinking that Communist China is an independent political unit when the facts are against such a diagnosis. The sooner it is realised unanimously, the better will the democracies be able to deal with the Asian problems.

The United Nations has shown enormous strength in the first of the Korean game; let us hope that she will show more in the second half. By waging the battle in Korea to a successful end and by making a firm stand on all the related points, the peace of the world can yet be maintained. Perhaps it is now time to warn Russia clearly that she will be held responsible for all the wrong-doings of her satellites. There must be a limit to the patience of the democratic people. Unless the covered but none the less clear designs of world conquest be halted, Russia may find one day that the fire set by herself becomes uncontrollable to her own disadvantage.

chance than at any time since 1945 to build up a truly peaceful world. These expressions of confidence being the natural sequence to the successful outcome of the Korean war, are more firmly grounded on the fact that it is the first time the United Nations have taken united action. In was this fact that gave President Truman an opportunity to take a longer view than otherwise could have done and to combine his expression of optimism with some suggestions as to the course of action the United Nations must now pursue to attain "a better world". No man could be in a better position to indicate the lines to be followed. The challenge of Korea was first accepted by him and his prompt and bold action when the odds were heavily against success, has shown him to be a man of decision and character. The moment when the North Koreans stepped across the already forgotten 38th Parallel the world was, he said, at the cross roads, and only his timely action could prove "that the UN Charter is a living instrument backed by the material and moral strength of its members, large and small."

Mr. Vyshinsky was not so reassuring in his criticisms of the U.S.A. foreign policy which he declared was determined to "build up more armies, more navies; force and more force." This is, in parenthesis, a remarkable statement in view of the four million men under arms in Russia to-day. He then went on to say that it had "always been and still was the wish of the Soviet Union to maintain and strengthen peace all over the world." While these statements follow the old familiar line and therefore, lose their significance, it does portend that the next step lying before the Assembly, as envisaged by the President, will doubtless meet many difficulties, but with the knowledge that united action has become a proved possibility, there is definite reason to hope that some form of an international police force may be feasible.

This speech of the President has been freely commented upon as being much more conciliatory than the one he delivered a week previously and, what was more noteworthy, he refrained from all reference to the Soviet Union though it was clear enough that he regarded communism as the only impediment to peace. Other delegates such as Sir Gladwyn Jebb, who has frequently clashed with the Soviet representative in the Assembly during the past few months, while expressing the opinion that the UN provided the only possible basis on which a world community could be founded, said that "we must not, dare not hope too much, but at least it is now possible to hope without daydreaming." These somewhat cautious sentiments were more strongly voiced by Dr. Ralph Bunche who said that "in spite of obviously ominous conditions in the world there is to-day reasonable hope that security and lasting peace may be achieved."

Mr. Trygve Lie, Secretary-General of the UN, also joined in the general chorus of hopeful expectations believing, he said, that the UN had now a better

THE REMODELLING OF SHANGHAI'S ECONOMY

By C. Y. W. Meng

Shanghai was one of the first five ports opened to foreign trade by the Manchu Dynasty. After a century of development accounting for from one-third to one-half of the nation's industrial production, this cosmopolitan city has been under constant attack by the Chinese economists and socialists. The city was considered as basically a non-productive but only consumptive city, and "A City of Contrast" where the chasm between the rich and the poor was most pronounced.

Indeed, during the pre-liberation days, while the rich was spending freely a vast sum of money for a wedding, the celebration of a birthday and the birth of a child, and while restaurants, dance halls, theaters and departmental stores were packed with well dressed people, on every street corner and in front of every large building, there was the sick, the aged, the starving, the crippled and the homeless refugee — men, women and children — wandering about and begging for food and money. In the morning, many of them had spent their night wrapped in few tattered rags to shield their bodies from bitter winter. On rainy nights, while sleeping in the entrance to various buildings, their bodies were usually covered merely by a piece of summer matting or perhaps, a broken umbrella. The whole picture of human misery was vividly presented before our eyes every day.

Under the corrupt and reactionary regime and the most chaotic financial conditions and the terrible inflation, the rich, the powerful and the privileged class in Shanghai became more and more rich, and led a more easy and luxurious life, while the broad masses sunk into deeper misery.

When I left Chungking, the wartime capital, for Shanghai shortly after the Japanese unconditional surrender, I was filled with hope for the future. However, I was not long in Shanghai before I began to feel that the future was not bright. It then seemed to me that the city was badly out of step with the times that despite the end of extraterritoriality, Shanghai was still far from a Chinese city. Instead of producing for the people of China, it continued as a heaven for the rich, a paradise for adventurers, both foreign and Chinese. Life in Shanghai seemed to me to be totally unreal.

With the advent of a new time, however, all Shanghai's a century-old inheritance, life and institutions have been called into question. Under the policy of New Democracy and the constructive and progressive administration of the People's Government, Shanghai has now been called upon to change, economically as well as social-

SHANGHAI: AN INDUSTRIAL SURVEY

Industrial Establishments: Before the liberation, Shanghai had approximately a total of 120,000 industrial and commercial firms, employing more than 1,230,000 staffs and workers. There were altogether 12,700 odd large, medium and small factories, divided into 88 trades, and these commercial firms might be classified into more than 300 trades.

Shanghai claimed to share 46.5 percent of China's total cotton spindles, 82 percent of wool weaving machines, 60 percent of cloth weaving machines, 50 percent of machines and tools, 38.5 percent of the output of rubber products, 39 percent of machine-made paper industry, 70 percent of the output of paints and varnishes, 84 percent of the shipping tonnage, from 65 to 70 percent of the import and export trade, and 70 percent of domestic trade and finance of the entire country (excluding the Northeast and Taiwan). Shanghai had from 50 to 60 percent of the nation's light industries in which cotton textile industry took the lead. Other manufactures, such as pharmaceuticals and aluminium products, were all concentrated in this city.

Let us now study the supply of raw cotton and fuel and power needed by many factories in Shanghai.

Supply of Raw Cotton and Wool: In the pre-liberation years, cotton always led all other imports. In 1946, cotton import totalled 6,891,230 shih tan, including 1,263,898 shih tan from the UNRRA and 5,627,432 shih tan imported by other private mills, or more than six times cotton imports in 1936 estimated at 813,808 shih tan. This cotton import in 1946 cost China a total US\$148,000,000 in foreign exchange. In 1947, China imported 3,938,588 shih tan of raw cotton worth US\$62,285,364. For two years, the total was about US\$230,000,000. This heavy cotton import was largely responsible for China's adverse balance of trade in 1946 and 1947.

Beginning from the second half of 1947, one of the measures taken was to ship cotton piece goods in exchange for foreign raw cotton, principally from India. For the whole year of 1948, for example, a total of cotton piece goods worth US\$40,000,000 was exported in exchange for some 450,000 bales of raw cotton.

Ordinarily, to export one product in exchange for raw material needed by the home industry was certainly an expedient measure, provided, however, that there was a surplus of the product. In our case, this measure was taken not because there was any surplus of cotton piece goods in hand, but for the sole purpose of saving China's dwindling foreign exchange at the expense of the home consumption.

Similarly, in the pre-liberation days, wool produced in China's Northwest never reached Shanghai. China imported 4,052,740 kilograms of wool in 1946, and 6,513,964 kilograms in 1947. Beginning from February 1947, wool and wool waste were put on the import quota list, import of which was limited to the amount worth of US\$2,000,000 for each quarter, with another amount of wool worth another US\$2,000,000 to be imported by self-provided foreign exchange.

That is to say, Shanghai is not a cotton and wool production center, and yet, this city was dotted with many cotton and woollen textile mills. As a result, in the past these mills had to depend on the supply of foreign raw materials.

Supply of Coal and Fuel: Shanghai is also not a coal producing center. The city used to buy coal from North China, principally from the Kailan Coal Mining Administration near Tientsin. Out of 1,675,000 tons of coal shipped to Shanghai in 1947, 1,167,000, or 70 percent, came from the Kailan mines, 347,000 tons, or 20.6 percent, from the Keelung coal mines in Taiwan, 77,850 tons, or 4.6 percent, from coal mines in China's Northeast, and 36,391 tons, or 2.1 percent, from foreign countries. In 1948, the coal shipment to Shanghai was 1,247,000 tons, — 676,097 tons, or 53.4 percent, from the Kailan mines, and 343,081 tons, or 27.5 percent, from the Keelung mines. Besides these two supplies, Shanghai also procured another 118,811 tons, or 9.6 percent, from the Hwa Tung coal mines, 22,077 tons, or 1.8 percent, from the Hwai Nan Coal Mines, and 54,733 tons, or 4.4 percent, from foreign countries.

But when the Kailan coal ceased to come, Shanghai at once faced an acute coal shortage. It had to rely on foreign coal.

When coal was hard to procure, many factories in Shanghai had re-equipped their boilers, and used diesel and fuel oil instead. But the trouble was that China was not an oil producing country. Every drop of oil had to be imported. While to use foreign coal for factories in Shanghai was most uneconomic, to use foreign oil was equally—if not more—uneconomic.

Supply of Power: Shanghai has five power plants, namely, the American-owned Shanghai Power Company, the French-owned Compagnie Francaise de Tramways et d'Eclairage Electrique de Shanghai, and the Chinese-owned Chapei Water and Power Company, in Nantao and the Pootung Power Company with a total generating capacity of 260,000 KW, while the pre-war maximum monthly consumption was 180,000 KW. During the Japanese occupation, many of power generating installations were either destroyed or removed by the Japanese, resulting in reducing the power generating capacity to 101,750 KW only. Although repair works were carried out, the complete recovery to the pre-war capacity has not been reached. By January 1949, the generating capacity of these five power companies was put at 236,440 KW.

The pre-liberation power consumption in Shanghai may be stated as follows: In 1946, general consumption, 669,339,265 KWH, or a monthly average of 55,778,272 KWH, and industrial use, 444,154,097 KWH, or a monthly average of 37,012,841 KWH. In 1947, general consumption, 1,003,000,772 KWH, or a monthly average of 83,583,397 KWH, and industrial use, 682,649,506 KWH, and industrial average of 56,887,459 KWH. In 1948, general consumption, 1,035,158,711 KWH, or a monthly average of 86,263,223 KWH, and industrial use, 709,564,378 KWH, or a monthly average of 59,130,363 KWH.

Industries in Shanghai consumed a total of 682,649,506 KWH in 1947, for which textile mills accounted for 50.3 percent, weaving mills, 8.5 percent, paper mills, 4.6 percent, wheat flour mills, 3.2 percent, rubber factories, 2.9 percent, machinery works, 2.3 percent, refrigerating plants, 1.9 percent, woolen textile mills, 0.9 percent, oil pressing mills, 0.7 percent, and other industries, 23 percent.

In 1948, industrial power consumption was only around 80 percent of the pre-war level, while residential and commercial lights increased by 142 percent.

When factories in Shanghai were not operating on full schedule, the generating capacity of these five power plants might be adequate. But the power supply is certainly to prove inadequate when industrial production is put on full operation. The opinion of some experts is that the power generating installations in Shanghai were already overworked by 20,000 KW, and that all these power plants are now in need of more new and powerful equipment to produce more electricity to meet the increasing needs.

SHANGHAI'S DEFECTS

It is thus clear that Shanghai has a major drawback in its lack of raw cotton and wool and coal and oil resources which are indispensable for an industrial city. The power supply is also by no means adequate for the full industrial production. The aggravation is particularly pronounced in the time of crisis. Thus, Shanghai has no solid foundation to be an industrial center in China.

The second defect is the consuming nature of Shanghai's industries. Most industrial operations might well be classified as light industries. What most of Shanghai's factories turned out were luxury or semi-luxury items which were all beyond the reach of the broad masses to buy. The city had only a sprinkling of semi-heavy industries. There was extreme scarcity of plants for the manufacture of machine tools.

The third defect is that in the past, Shanghai had been going on with its industrial production without the slightest regard to the opening of a market for its finished products. The vast majority of the city's industrialists were too "Shanghai minded," and gave little thought to ways and means of developing an outlet for their products.

That market certainly did not lie with the 6-million population in the city but lies in the vast countryside. The opinion of many Chinese economists is that after all, the large quantity of raw materials so indispensable for an industrial setup as well as the large portion of domestic capital so much needed for the industrial development must all come from the vast countryside, and at the same time, this vast countryside is also China's major market for finished products.

Lastly, the nationally representative character of Shanghai's industries is entirely unwarranted. China is an extensive country with means of communications not yet fully developed, and the concentration of practically all industrial activities in Shanghai is entirely against the interest of the nation.

A SWEEPING CHANGE

With the liberation, the bubble burst, and all defects of Shanghai were starkly revealed. The liberation in May 1949 really represented a challenge to this city. If it was not to sink into utter chaos, it would have to undergo a change — a sweeping change in life and institutions.

This great city in China has been called upon to change from what some Chinese writers called a "colonial city" to an independent city, from a city under the rule of bureaucrats and compradores to a city belonging to the Chinese people, from a city concerned principally with consumption to one devoted to production. The industries of Shanghai must no longer serve the needs of a handful of rich people and the privileged class, but must serve the broad masses. The people in Shanghai are also requested to reform themselves from a consuming force to a producing force. The many industrial establishments in the city engaged in the production of luxuries must be converted into enterprises for the production of daily necessities to meet the demand of the common people in the country.

The cotton industry should stop the production of fine yarn and engage in the production of the coarser brands which meet the practical demands of domestic consumers. The woollen industry should direct its attention to cotton and semi-woollen fabrics, and use more domestically produced wool, instead of imported grades. The shirt-making industry should change its production policy and should suspend the manufacture of high class shirts and produce only popular grades.

The machinery industry of Shanghai is urged to devote the greater part of its future efforts to the manufacture of various farm implements and machinery required for agricultural purpose. Pumping machines and other lesser machinery equipment as well as internal combustion engines suitable for rural uses are among the objects to which production efforts are to be directed.

The 6-point anti-blockade program advanced in an editorial in the July 27, 1949 issue of *The Liberation Daily* in

Shanghai pointed out specifically "Decentralization of the population and the removal of a portion of schools and factories to the interior" and "Change in the production policy and in the trend of development of Shanghai." Ever since, the People's Government has been taking steps to encourage the systematic removal of a part of Shanghai's factories to the interior and to the places near to the centers of production of raw materials.

During the past year, a change has already taken place in Shanghai. The fake prosperity which was the result of forced buying "sprees" in an inflationary economy was gone. The sudden withdrawal of false purchasing power naturally aggravated the difficulties.

But this present "interim period" is one of changing over, of preparation for the future, and cannot, as is so often the case, be justifiably viewed as a depression in the normal sense. For instance, when one sees the largest departmental stores in the city—Wing On, Sincere, Sun Sun and Lee Hua and others—selling Chinese native products, suitable for workers and ordinary people, this is a healthy sign and not an indication of bad times. Rather, the past practice of these stores when they sold largely "Made-in-U.S.A." articles, such as cosmetics, nylon stockings, plastic gadgets and Shanghai-made imitation of such goods was a sign of an unhealthy economy.

Secondly, it is no pity to see the many luxury trades which catered to the wealthy and leisure class going out of existence, nearly all the city's gold and silver ornament shops disappearing, about half of the more than 700 hotels and restaurants, most of the luxury type, closing down, cabarets and expensive tailoring establishments meeting with a similar fate, and most of the more than one hundred curio dealers getting out of business. Time has called them to stop their operations and to change to other useful and productive business.

SIGNS OF BUSINESS RECOVERY

However, the People's Government has taken an entirely different policy toward those private enterprises which are beneficial to the national welfare and to the people's livelihood. The People's Government has made it sufficiently clear that under New Democracy, private enterprises still have a definite and important role to play which is designed to deal with the urgent task of raising socially necessary production in the interests of the people. Therefore, the government policy is to readjust the relations between the state and private enterprises, to help private enterprises tide over their difficulties and to recover—and increase—their production with speed, and to coordinate their production with the state economic planning.

Through the processes of granting of loans, orders for spinning, weaving and dyeing, marketing facilities, processing orders and purchase for their products, many factories which have

hitherto remained idle have again been put in operation, and those which have already been in partial operation are now in full operation. These months of strenuous efforts have overcome many of the temporary difficulties and have brought about a revival of the business in Shanghai.

The most eloquent expression of the upward tendency in industry and com-

merce is the increasing number of applications for resumption or opening of business. In July this year, applications for suspension or retrenchment of business were only one-ninth of the total of last May, while firms applying for resumption or setting up new establishments were six times greater than the May figure. Details are as follows:—

No. of Applications for:	January	February	March	April	May	June	July
1. Suspension of Business	159	161	243	389	502	158	50
2. Curtailment of Business	40	24	23	40	103	82	40
3. Resumption of Business	3	2	1	5	6	6	87
4. New Business Establishments .	—	—	—	14	21	37	105

Cases of labor-capital disputes principally over the dispersal of workers in July, August and September were also fewer than in March, April and May. The number of workers who were re-employed or on temporary employment totalled 19,747 for July, August and September. But during July and August, the number of workers on temporary employment was greater than those re-employed, while in September, the reverse is the case. This is because in July and August, at the beginning of the business recovery, the management still lacked confidence in their enterprises, hence they employed more temporary workers in order to keep wages down. In September, however, capital had regained confidence in normal and permanent production, and they have employed more workers on a longer period.

With more factories resuming their operations, the power consumption for industrial use in September increased by 11.6 percent when compared with that in the preceding month. The power consumption of cotton textile mills increased by 12.5 percent, woollen textile mills, 21.7 percent, silk textile mills, 1.9, other textile mills, 13.2 percent, rubber products factories, 34.6 percent, paper mills, 14.7, oil pressing mills, 25.8 percent, rolled tobacco factories, 35 percent, machinery works, 3.1 percent, and wheat flour mills, 46.6 percent.

GOVERNMENT ASSISTANCE TO PRIVATE ENTERPRISES

Bulk purchasing of products from factories has proved itself to be one of the most effective ways of helping many private enterprises. This field of operation was assigned to the state-operated China General Goods Company. During the second quarter of the current year, the Company has spent a sum of JM\$643,546,990,000 and 2,500 bales of cotton yarn for the purpose. Of this amount JM\$584,919,930,000, or 90.7 percent, was spent on purchasing of the various kinds of commodities, more than 70 percent of which came from private factories. The rest was for operational expenses.

(B) Weaving Works

Month	No. of Contracts Signed	No. of Contracting Factories	Processed Goods (in piece)
May	56	—	243,119
June	72	52	271,178
July	83	66	381,732

(C) Dyeing Works

Month	No. of Contracts Signed	No. of Contracting Factories	Processed Goods (in piece)
May	28	—	59,960
June	49	20	125,314
July	151	37	487,968

The amount of processed works totalling 10,034 pieces of cotton yarn may constituted 50 percent of the output of the privately-operated cotton textile mills in Shanghai for the same month. Out of some 37 cotton textile mills in operation in the city, 90 percent of them had signed the processing contracts, and were thus allocated with raw cotton. Through this arrangement, 77.23 percent of spindles in Shanghai were put in full operation.

During July, the Company spent another JM\$212,818,350,000 thus making a total of JM\$856,365,340,000 for four months from April to July.

The guiding principles for business operations of the Company may be stated as follows:—

1. The industries for which the Company will agree to conclude bulk purchases must serve the people, and must be those which are capable of further development.
2. In this category of industries those which are in greater difficulties than others will be given priority.
3. The commodities bought by the Company must be marketable either at present or in the future.
4. The prices for commodities purchased by the Company should not be too much in excess of prevailing market quotations.

Pursuing its task, the East China Branch of the China General Goods Company had purchased products from some 502 Shanghai factories, or 49 percent of the city's privately-operated light industries in May. This figure rose to 818, or 74 percent of the total, in June. The total value of bulk purchase of various products from Shanghai private factories by the East China Branch of the Company amounted to JM\$28,500 million in March, JM\$58,600 million in April, JM\$104,700 million in May, JM\$96,400 million in June, and JM\$231,900 million in July. If the purchase in March is taken as 100, index number for April is 205.6, May, 367.4, June, 338.2, and July, 813.7.

Tables below give details regarding the orders for spinning, weaving and dyeing works entered with private factories in May, June and July:

(A) Spinning Works

Month	No. of Contracts Signed	No. of Contracting Factories	Processed Goods (in piece)
May	48	—	10,034.00
June	84	31	17,171.75
July	107	32	19,808.00

was 76,398 pieces, thus the latter exceeding the former by 20 percent. This was due to the general improvement of the conditions and the increase of the purchasing power of the Chinese farmers. The Chinese economists believe that after the land reform when

their economic conditions are further improved, the demand for cotton cloth is bound to be far greater.

Tables below give details of the cotton yarn production and its sales during the first half of the current year (Unit: in piece):—

(A) Cotton Yarn Production

Month	State operated cotton mills	Privately operated cotton mills	Foreign owned cotton mills	Total Output	Percentage
January	31,562	30,509	1,920	63,991	100
February	11,869	11,173	1,164	24,206	37.8
March	24,902	21,457	1,571	47,930	75.9
April	34,048	25,040	1,365	60,453	94.5
May	34,120	27,832	1,194	63,206	98.8
June	33,418	27,717	1,125	62,260	97.3
Total	169,919	143,788	8,321	322,046	

(B) Cotton Yarn Sales

Month	Sales	Percentage
January	66,023	100
February	30,664	46.4
March	48,693	73.7
April	52,977	80.2
May	57,725	87.4
June	76,398	115.7
Total	332,480	

No less than 23 private silk mills, including the leading Mayar Silk Mill, Dong Lee Silk Mill, Kwong Ming Silk Factory and Fu Ming Silk Mill have signed contracts with the state-operated China Silk Corporation to undertake orders to produce various kinds of silk piece goods totalling 7,710 bolts for this winter. Larger contracts have also been signed with Dah Cheng, Dah May Foon, Dong Loh, Ching Foon and ten other silk mills.

The East China Department of Industry had also signed a contract with the Ministry of Heavy Industries in Peking for construction of machinery of various kinds to the total value of 18 million parity units, and another contract for textile machinery for 10,000 spindles and two sets of paper-making machinery to the total value of four million parity units, thus making a total of 22 million parity units during the second half of this year in the East China Zone. The machinery ordered consisted of boilers, textile, mining, manufacturing equipment and other types.

The East China Department of Industry was reported to have distributed 70 percent of the machinery contracts to private machinery factories, and 30 percent to the state-operated machinery factories. The value of these orders for June, July and August amounted to 16.6 million parity units, of which 784,000 parity units were for wages which helped to keep 5,000 workers in the industry.

Factories with better equipment and technique have been working at full blast to fulfil their orders. The privately operated Chung Hwa Iron Works has received an order for three sets of paper making machinery which will keep its production

schedule full for eight months to come. Another, the Sin Chung Engineering Company, also privately-operated enterprise, has received orders for pumps which will keep its production schedule full for six months. Another, Tai Lee Machine Works has received orders for weaving looms for 100,000 spindles from Chin Nan Cotton Mill in Shansi which is to be fulfilled at the end of this year. More orders for machines and tools are coming from the interior.

As a result of these constructive efforts, the machinery industry in Shanghai has made significant progress. This can be evidenced by the increase of 68 percent in their business turnover for three months of June, July and August over that of March, April and May. The total business of some 1,155 machinery works for the first period was JMW\$86,300 million and that of 1,039 machinery works for the next period was JMW\$142,200 million.

FROM BLIND TO PLANNED PRODUCTION

But in giving all possible assistance to many private enterprises, the People's Government is also directing the remodelling of Shanghai's economy. "Blind Production" is discouraged. On the other hand, small private mills and factories are encouraged to be reorganized into bigger and amalgamated enterprises to increase the production. The production policy of the privately-operated factories has to undergo a change, and the management is to be democratized. All these steps are taken in order to coordinate the production and to inaugurate planned production. The March-June average sales of matches in Shanghai, for example, was 3,725 boxes, or only 20 percent of production, cigarettes 27,559 boxes, or only 7 percent of production, wheat flour, 332,328 bags, or only 11 percent of production, soap, 58,744 boxes, or 50 percent of production even in seasonal demand. That is to say, in every one of these industries there was always over-production. As a result, factories were piled up with unsold products.

Secondly, without any regulation and planning of production, the industrial output in Shanghai was made most uncertain. At one time, the production was at a high level, and at the other, it was at a low ebb. The March-June average production of matches, for example, was 5,360 boxes, highest, and 1,122 boxes, lowest, or making more than four times in difference; cigarettes, 42,167 boxes, highest, and 15,092 boxes, lowest, or two times; soap, 90,774 boxes, highest, and 24,200 boxes, lowest, or two and half times; wheat flour, 404,611 bags, highest, and 57,408 bags, lowest, or six times; rubber shoes, 50,406 dozen, highest and 5,325 dozen, lowest, or eight times; vegetable oils, 22,845 tan, highest, and 2,591 tan, lowest, or also eight times.

Apparently, with a view to improving the situation and to inaugurating a planned production, a series of special national conferences of the representatives of cigarette, rubber, matches, oil, food processing, printing and dyeing and other industries was held in the national capital a short time ago to discuss the matter. According to the report, based on the present conditions in the country, the demand for the various products, the living standard of the people, and pending the improvement of the purchasing power of the broad masses, and other elements, the Conference reached the decision of gearing production in accordance with sales. The same Conference then worked out a production plan for the various industries for the second half of the current year as well as for the whole year of 1951. The whole production schedule was distributed to the various zones which, in turn, would distribute to factories in the spirit of mutual assistance between the big and small enterprises. It was also provided that all these allotments are to be thoroughly discussed by all member factories, and are to be decided by democratic consultations, free from all prejudice.

Although details are still lacking when this manuscript is under preparation, we know the production schedule of cigarettes for the whole East China Zone from July to December, 1950, was put at 394,000 boxes, and 60 percent of which was assigned to cigarette factories in Shanghai. After three days of intensive discussions, cigarette factories at last received their allotment which began to produce cigarettes from September. The monthly output of matches in Shanghai is 5,100 boxes. The production of wheat flour in Shanghai from June 1950 to May 1951 will be 8,148,460 bags; 4,248,460 bags for making and 3,900,000 bags for processing. Of this total, 1,500,000 bags of them will be shipped to North China, 500,000 bags to South China, 3,998,460 bags for sale in the whole East China Zone, and another 2,150,000 bags for other emergency shipment. According to the decision reached by the East China Joint Textile Conference and Cotton Textile

Extension Conference in Shanghai, the production plan will keep 90 percent of Shanghai's cotton spindles in operation from November 1950 to October 1951.

For the second half of 1950, oil pressing factories throughout the East China Zone will consume a total of 216,400 metric tons of raw material, 18,000 metric tons to come from the government-operated organs and the rest 198,400 metric tons to be purchased by oil factories themselves. According to the plan, these factories will produce 40,196 metric tons of oil and 152,000 metric tons of oil cakes, 15,000 metric tons of oil will be at once purchased by the state-operated organs.

It is therefore interesting to note that in People's China, the industries will have their production plans which are always accompanied by a scheme to secure raw materials and a sales scheme. In the long run, such planned production through open discussions at conferences, through government direction, co-operation and mutual assistance between the state and private enterprises and democratic consultations, will benefit both the producer and the consumer alike.

A NEW PRODUCTION POLICY

With the inauguration of the planned production, factories and mills in Shanghai have adopted a new production policy, and have shifted their emphasis from mere business and profit to emphasis on "Produce More." Traders should no longer think in terms of catering to the business of the wealthy and leisure class, but, more of meeting the needs of the broad masses. The success of private enterprises in People's China must be built on the foundation of serving the people and of promoting the interchange of supplies between cities and villages in accordance with the national economic planning.

The most noticeable change in this direction is the change in the production policy of many textile mills in Shanghai. The Preparation Committee of the Federation of Cotton Textile Trade Unions in East China, in assigning orders, is said to have fixed the following percentage: 16' yarn, 10 percent, 18-23' yarn, 70 percent, and 32' yarn, 20 percent. That is, overwhelming percentage is given to the coarser brand of cotton yarn. The production of cotton cloth has also been popularized to be more suitable to the common people in the country. In the pre-liberation days, the handkerchief-making industry was one of the Chinese industries which depended on foreign markets as an outlet, and consequently, at one time, it had come to a standstill after the liberation. But now after the change of the production policy to a more popular brand, its business has revived. The output was 369,250 dozen for August, and more than 400,000 dozen for September, or nearly reaching its pre-liberation peak production mark. Formerly, a large portion or 60 percent, of its output was exported. But now it no longer depends

on foreign markets, and 90 percent can find consumers at home. Similarly, the same change of the situation has taken place with other articles, such as underwear and others.

SYNDICATES AND COMBINES

Another sign of improvement which has recently taken place in Shanghai is the rapid reorganization of factories and mills into amalgamated enterprises in order to boost up production and to enlarge business operations. More syndicates and combines have been formed for production, for purchase of raw materials, for marketing or for shipment of products.

Some textile mills in Shanghai and Wusih have already been reorganized into amalgamated enterprises, and many others are planning the same reorganization. Ching Fung Cotton Mill located in Wusih, and Pao Fung Cotton Mill of Shanghai are already amalgamated, while Lee Sing Cotton Mill in Wusih was combined with Chang Sin Cotton Mill of Shanghai. The amalgamation of Da Cheng Cotton Mill of Wuching and An Dah Cotton Mill of Shanghai is now in progress.

Since July, private banks in Shanghai have already formed four loan syndicates. The majority of the private banks have joined one or other syndicate, and have since been operating with profit. Both their deposits and loans have shown increase.

Four private shipping companies, all heavily in debt, had combined to form one "Combined Yangtze Shipping Company, Ltd." in an effort to reform private shipping and improve their business together, instead of competing among themselves.

The Cotton Joint Purchase Committee of the State and Private Cotton Textile Mills in East China was organized not long ago to handle the joint purchase work. Those which are most benefited by the scheme are small cotton textile mills.

In the past the Shanghai oil-pressing factories were not united in making their purchases of raw materials, but each made its own arrangements which resulted in competitive buying and in causing dislocation between production and marketing. But now the local guild of the vegetable oil pressing industry, under the guidance of the Departments of Industry and Trade of East China and the Bureau of Industry and Commerce in Shanghai, has organized a joint purchasing board for its member factories, both state and privately operated, for the unified purchase of cotton seeds. In keeping with the policy of the government, the joint board will handle the purchase according to the principle of gearing production in accordance with sales.

Recently, many privately-operated heavy industries have also organized combines to handle the production, sales and transactions jointly. The primary object of these combines is to accept orders for manufactured products jointly and to complete the production schedule on time. By September eight

manufacturers' combines have already been formed among the heavy industries in Shanghai. They are:

1. Shanghai First Small Machines Manufacturers' Combine,
2. Shanghai Second Small Machines Manufacturers' Combine,
3. Shanghai Third Small Machines Manufacturers' Combine,
4. Shanghai First Electric Machines Manufacturers' Combine,
5. Shanghai First Bicycle Manufacturers' Combine,
6. Shanghai First Boiler and Machines Manufacturers' Combine,
7. Shanghai First Joint Shipbuilding Company, and
8. Shanghai First Electric Wire Joint Manufacturing Company.

The last is a combination of the China, Mei Shing, Teh Foo, the Far Eastern Electric Appliance Manufacturing Companies and Lee Hua, Shanghai, Hua Kung and Hua Ming Electric Wire Manufacturing Companies. The newly amalgamated company is aiming at improving the quality as well as increasing the quantity of its products. While the member factories are responsible to the Company, the Company holds itself responsible to the public for the quality of its products.

This is certainly another most important and constructive step to develop the private heavy industries in Shanghai. Of some 1,000 machines works in this city, about 600 or more are small-machine manufacturers. Due to inadequate equipment and poor technique, these small manufacturers are facing a hard time because they are unable to produce large machines and tools, and thereby limit their scope only to repairs works. But now through the organization of combines, all of them have their respective role to play, and all can maintain their production. Combined efforts can certainly produce far more and better than individual efforts.

DEMOCRATIZATION OF MANAGEMENT

Another significant improvement which may be mentioned here is the democratization of the management and the wide practice of thrift in factories. Workers are taking part in the discussion of the production scheme. Factory's technicians and workers are working hand in hand to promote the production together. Every effort is made to curtail all unnecessary wastes and to reduce expenses and the cost of production to the minimum in order to reach the preservation of capital from which to make profit.

In the pre-liberation days, many factories and enterprises in Shanghai were over-staffed and with many highly paid absentees and fictitious employees who were all family members of the management, or were introduced by the powerful in the city. But now such a practice is wiped out entirely.

The Ying Feng Cotton Mill, for example, was one of the textile mills in serious difficulties after the liberation. After remodelling, removing five high officials and dismissing another ten absentee "advisers" from the pay list,

THE ROLE OF THE NATIONAL CORPORATIONS IN CHINA'S NEW DEMOCRATIC ECONOMY

By a Chinese Economist

Current opinions on the economic achievements of the Communist regime are widely divergent. Some people are very enthusiastic about the comparatively stable price-level of the last few months in Red China; others seem to belittle it as only the result of heavy taxes and levies, not presenting any sign of future prosperity... Neither side furnishes us with any detailed account based on facts and statistics.

and eliminating surplus labor and through the labor-management agreement to reduce the wages for all, the mill was put in operation again, and its business is now good.

The Sun Sin Cotton Mill in Shanghai, another example, after the reorganization, the establishment of a unified administrative system, the centralization of finance and the change of the production policy from emphasis on business to emphasis on production, had already paid a large part of its huge debts amounting to no less than JMS\$130,000,000,000, and is now getting on well.

Cases of this kind are many when more constructive efforts have saved many factories and mills in Shanghai from facing bankruptcy, liquidation or closure to gradual recovery, from having to sustain losses in operation to making profits.

To sum up, in People's China today, the 5-component economy is now in full operation with the People's Government offering every possible assistance to many private enterprises on the one hand, and directing their development and operation according to the national economic planning on the other. As stated in the Common Program, "The basic principle for economic construction of the People's Republic of China is to attain the goal of developing production and bringing about a prosperous economy through the policies of taking into account both public and private interests, benefits to both labor and capital, mutual aid between the city and countryside, and interflow of goods at home and with abroad. The state shall coordinate and regulate state-owned economy, cooperative economy, individual economy of peasants and handicraftsmen, private capitalist economy and state capitalist economy in the spheres of operations, supply of raw materials, markets, labor conditions, technical equipment, policies of public finance etc., so that all components of the social economy can play their part, and effect division of work and cooperate under the leadership of the state-owned economy to promote the development of the entire social economy." (See Article 26 of the Common Program.)

These are some of the healthy signs from which observers know that Shanghai is changing, and Shanghai's economy is in the re-making.

Under the circumstances it is difficult to paint a general picture of what is happening and what is likely to happen, for no reliable statistics are available to us. The only way to catch a glimpse of truth behind the Bamboo Curtain is to pick up here and there some figures divulged by the Communist authorities relating to some particular aspects of the situation. The trouble is that such figures often do not tally with one another. Whether it is due to different compilations or simply because they are artificially made is naturally unknown. All the figures used in this article are quoted from the Communist press. No attempt has been made to check up their authenticity, although they are picked out and used with care.

The various National Corporations set up by the government seem to be the main instruments used to stimulate and control the flow of commerce and the production of industry. There appear to be about thirteen of such concerns in existence. They are:

1. The National Cereal Food Corporation,
2. The National Cotton Yarn and Cloth Corporation,
3. The National Miscellaneous ('Hundred' in Chinese) Goods Corporation,
4. The National Salt Corporation,
5. The National Coal Corporation (dealing also in building materials),
6. The National Native Products Corporation,
7. The National Hog Bristle Corporation,
8. The National Native Products Export Corporation,
9. The National Oil and Fat Corporation,
10. The National Import Corporation,
11. The National Tea Corporation,
12. The National Silk Corporation,
13. The National Mineral Products Corporation.

All the above corporations are under the Ministry of Trade. Each has several regional offices which in turn control many branches in various cities. The regional and branch offices are under the dual supervision of their own higher-ups and the local governments under whose jurisdiction they operate. Apart from these concerns, there are the China Drugs and Pharmaceuticals Corporation, which is under the Ministry of Health, and the China Steamship Co., which is under the Ministry of Transport. They do not concern us here.

The functions of the National Corporations are manifold. Within their respective spheres, they buy and sell the goods, commission the merchants to buy and sell for them, place orders with the factories, ask the fac-

tories to turn out finished products on raw materials furnished, conduct retail sales, and recommend the People's Bank to advance loans to the factories and the merchants. Thus their functions are much wider than the open market policies of other countries. They are capable of not only affecting the price-level, but also directly creating and determining the volume of production and trade.

* * * *

The National Corporations seem to have two purposes. First, they have to keep the economic order going. Whenever the Communists occupied a city, they always found the industry and commerce completely at a standstill. The main thing was how to start the whole business machine going again. The national concerns placed orders to enable the factories to reopen, created purchasing-power by buying from the people, sold daily necessities through specially opened retail centres, and often purposely helped the merchants by commissioning them to do things which the national concerns could well do themselves.

The second purpose is to keep a tight control over the private industry and trade. The Communist leaders have repeatedly told the merchants and the industrialists that they must absolutely follow the lead of the state concerns. Perhaps in this way the government hopes to reach eventually the goal of socialist economy. At any rate the National Corporations are playing an increasing role in commerce and industry, with the merchants and private factories surviving only on the support of the government.

In Shanghai, up to the end of May 1950, 23 out of 27 steelworks, 35 out of 40 shirtmaking factories, 11 out of 35 paper mills, and 92 out of 200 rubber manufacturing plants resumed work on orders received from the national concerns. The 92 rubber factories possessed 80% of the total capacity of the industry. The 11 paper mills employed 60% of the workers in the industry. In general, 70% of all the private factories operating in June 1950 lived on orders placed by the National Corporations.

The National Miscellaneous Goods Corporation in Shanghai bought from private sources to the total worth of 1,800 hundred million dollars People's Currency (about 6 million US dollars) during the months April and May. The National Cotton Yarn and Cloth Corporation bought 31,639 pieces of cotton yarn, and 1,052,774 pcs of cloth from January to April. Figures of the other national concerns are not available, although 3,600 hundred million dollars People's Currency were mentioned in the newspapers.

From January to April the private mills spun 22,770 pieces of cotton yarn and 796,000 pcs of cloth on behalf of the government, that is, on raw materials furnished by it. The remuneration paid for the work was .224 'commodity-saving-units' (about .36 US dollars) per piece of cotton yarn. It was planned that before the new cotton crops this year should become available to the mills, 74% of their capacity would be maintained in operation by the national concerns. Thus from May to September, 134,008 pieces of cotton yarn were produced. In September, 1,800,000 spindles were said to be in operation in Shanghai. The cotton harvest is exceptionally good this year. The total number of cotton spindles in Shanghai was 2,060,000 in 1948.

The cloths weaved for account of the national concerns were 240,000 pcs in May and 1,571,159 from May to September. Thus it is clear that the dependence of the industry on state orders is steadily increasing.

The figures of the bank loans extended to private factories are very confusing. According to Mr. Pan Han-nien, the Deputy-Mayor of Shanghai, loans granted by the People's Bank to private concerns were:

January 981 hundred million dollars
People's Currency

February 1,578 hundred million dollars
People's Currency.

March 2,474 hundred million dollars
People's Currency.

April 5,074 hundred million dollars
People's Currency.

While the official handbook "Shanghai: One Year After Liberation" confirms these figures, it gives on another page a different story:

	Govern- ment Bank Loans	Private Bank Loans
(Hundred Millions People's Currency)		
January	1,339	4,201
February	1,889	4,609
March	3,271	5,944
April	1,766	4,250

In any case we were told by "Ta Kung Pao" that the total amount of loans extended to private industries and merchants in Shanghai were increased to 3,618 hundred million dollars in September.

In other cities, the tendency has been the same. The National Miscellaneous Goods Corporation in Hankow directly purchased to the total amount of over 1,000 hundred million dollars during the months July, August, September, not including things bought through private merchants. The tea-growing industry in Hunan is said to have expanded five times in the last twelve months as a result of the support of the National Tea Corporation.

From June 1949 to May 1950 the total quantity of flour produced in Red China was 53,000,000 bags, or 41.9% of the capacity of the flour mills. For the rest of the year, it was planned that another 54,000,000 bags (excluding Manchuria which seems to be detached from China in most fields) were to be produced, out of which 21,400,000 bags would be for account of the National Cereal Food Corporation.

It is also interesting to note the percentages of the sales by the national concerns in the total volume of transactions done in the market. From October 16th to 21st, in Shanghai they were 17.06% in rice, 99.07% in flour, 11.80% in food oil, 79.45% in sugar, 92.88% in cotton yarn, and 100% in cotton cloth. The National Corporations are often heavy buyers in the market; the above figures do not throw light in this respect. The pre-

dominant position of the national concerns is, however, very clear.

Under the circumstances the National Corporations can influence the short-run fluctuations of the price-level at will. There are official prices for those commodities that they deal in, but they do not always sell at such prices. Thus on September 30th the official price of rice in Shanghai was \$1,340 per catty, and the market price was actually \$1,179. After that date, the Corporation happened to be buying in the market, and on October 14th, the market price rose to \$1,400 while the official price was \$1,380 per catty.

Although the price-level is said to be stabilized of late, it is only true in a very comparative sense. According to the Municipal Government of Shanghai, the wholesale price index in mid-October was 878.16, taking the end of August 1949 as the base. Prices are likely to go higher in the future;

probably the prices of agricultural crops will rise quicker than that of the industrial products. Red China is under treaty obligation to send grain supplies to Russia. For this or, for the peasants to buy more finished goods from the national concerns, the government has indicated that the prices of the agricultural crops will go higher than at present.

* * * *

The Communists appear to have found a lot of difficulty in the operation of the national concerns. The predominant influence wielded by them means that they have to take the initiative to lead the market. They have to determine the price-relationships between wholesale and retail, and between the consuming centres and the producing regions. Moreover, there are different grades of a given article and their prices must reflect the appropriate ratios to one another. The wide discussions in the Communist press on these subjects abundantly show that they have not been solved satisfactorily.

Thus we are told that after March of this year many commodities were actually cheaper in the consuming centres than in the producing regions. There were practically no differences between the wholesale and retail in Nanking, Wuhsi, and Hanchow in May of this year. In fact it was then maintained that the middleman's profit was a kind of plunder which should not be tolerated under the New Democracy. Recently, however, the middlemen were decided to be entitled to a fair share for their efforts. Accordingly, the differences between wholesale and retail prices were adjusted in June—5% in grain, 6.5% in oil, 5% in salt, 15% in sugar, 20% in miscellaneous goods. Again the figures are quoted to give a general idea only, for different rates exist in different regions.

Much more serious is the problem of marketing the goods. A few days ago a special conference was convened in Canton to consider the matter. The government as usual attributed the present difficulty to the faults of foreign imperialism and home-made bureaucratic capitalism, the harmful legacy of the old society, the disappearance of 'false' purchasing-power when the hyper-inflation under the KMT was arrested, and the blind production and over-supply of goods under the old economy.

Coming down to more earthly terms, the government further pointed out that the present cost of production was too high and the quality of goods too low. On the other hand it admitted that some raw materials furnished by the National Corporations, such as cotton yarns, were not suitable for the purposes of the factories. Actually the cotton yarns in question were also spun by the mills in Shanghai on behalf of the government. It is learned from private

sources that many of the articles produced in this way are of inferior quality.)

The industrialists and the merchants in their turn proposed that prices should be fixed by the National Corporations in accordance with the actual costs in various regions. The official prices could be adjusted more often but there should be always goods for sale at such prices. The industrialists further hoped that the government would place more orders with them to tide them over their difficulty.

The final summing-up embodies the following points:

1) The private interests will send a mission into the countryside to investigate and further the sales there.

2) A joint committee is to be formed by the national concerns and the private interests to research into the costs, the proper differences between the wholesale and retail prices, and the best way to adjust the official prices in the future.

3) The private concerns should be amalgamated into larger units to get better facilities for securing raw materials from the National Corporations.

4) In future the volume of production should be determined by the marketability of the products. Plans of production should be sent in advance to the People's Bank for approval. The Bank will order the raw materials and hand them to the national concerns. The latter will lend them to the private factories and buy the products if they are up to a certain standard.

5) The private factories are advised to introduce proper accounting systems and to cut down their personnel and expenses. They are reminded that production per capita of the workers can be further increased—evidently by such measures as the Stakhanov movement.

* * * *

The above may be useful recommendations, but they do not seem to touch the core of the problem. It must be remembered that the government has two aims to keep the economic order going and to achieve a socialist economy in time. The two do not go hand in hand. To a large extent the national concerns place orders with the factories not because they want the products but because they have to

keep the factories going. Under the circumstances it is natural that the finished goods cannot be sold at a profit. Unless the market gains some momentum of its own, of which there is no sign yet, this difficulty will always remain. It is not the high cost that hinders the sale of the goods, but the lack of purchasing-power on the part of the consumers.

Recently Communist leaders have strongly emphasised the necessity of raising the farmers' incomes. They promise that after the land reform programme shall have been carried through, the purchasing-power of the peasants will be greatly improved. All will be well, but the people must wait. Whether they are sincere in their belief is of course unknown to us. It is hard to see, however, how peasants can have higher incomes merely by becoming very small land-owners themselves. An improvement in the farming technique seems more likely to reach the goal here.

The present government support and control of industry and commerce do not seem to be conducive to a socialist economy either. The support is more or less in the nature of an unplanned and temporary relief. Much more planning in both production and consumption is required before socialist economy worthy of the same will come in sight. Even assuming that the Communists are capable of such planning, the transition will still be too difficult and painful for the people. Presumably there will be no market for luxurious goods, and many plants will have to either adapt themselves to suitable new roles or be left to natural elimination.

The fact that China is predominantly an agricultural country lightens the seriousness of the problem. On the other hand it raises the big question of how to accumulate enough capital to industrialize China. It cannot be done by merely asking the people to tighten further and further their belts, for that will aggravate the unmarketability of the stock of goods in the hands of the government. Even if the incomes of the peasants are raised, they cannot be used to both buy consumers' goods and accumulate for investment. Thus it is doubtful indeed whether the national concerns will continue to place indiscriminately orders with the private factories. As the latter are leaning heavily on such orders, a difficult time is ahead for them when the support is lessened.

FOREIGN TRADE OF FUKIEN

By a Fukien Correspondent

Geographically speaking, the province of Fukien with its long coast line and numerous inlets and bays provides good facilities for shipping and foreign trade. Nevertheless, the lack of industrial development and the inadequacy of measures for the regulation of the supplies of agricultural produce had not produced a situation favourable to foreign trade development, although the two major ports of Foochow and Amoy normally were open to considerable

shipping, while a number of other smaller ports were also accessible from the sea.

The foreign trade as was carried on in Fukien in the past, therefore, consisted of the export of such seasonable produce as tea, fruits, mushroom, lumber and some native paper and lacquerware, while imports consisted mainly of consumer goods, including luxury items, foreign rice, and a small quantity of industrial raw materials. The quant-

ity of exportable products being limited, there was consequently a large import surplus, but on the other hand, the large overseas population coming from the province provided a constant and appreciable income from remittances by overseas Chinese to the province.

After the Communist take-over of Fukien including the island and port of Amoy, the foreign trade situation was further affected by the Nationalist blockade, chiefly of the major foreign trade channels provided by Foochow and Amoy. The smaller ports, with their inadequate facilities, had to be utilized, and greater costs to importers and exporters naturally ensued.

In spite of these difficulties, an attempt was made to keep up the foreign trade of Fukien province, and to seek its rational development as circumstances permitted. And the results must be considered as satisfactory.

According to data now available, during the nine-month period from November, 1949 (when conditions were gradually stabilized after the Communist access to the control of the province) to the end of July, 1950, the number of entries and clearance of vessels at all Fukien ports was 98, with an aggregate tonnage of 48,451. It is noteworthy that all vessels sailing to the ports of the province during the period were foreign registered, the Nationalist blockade making it impossible for Chinese ships to undergo the risk. The largest of such vessels had a tonnage of 3,500 while the smallest was one of only 105 tons.

The total value of imports into the province during the period was estimated at HK\$29,920,309 while the total value of exports was estimated at HK\$12,830,111. There was, therefore, an import surplus of HK\$17,090,197.

The comparative shares of this foreign trade undertaken by Communist State agencies and private interests were as follows:

Imports and Exports of Fukien, November 1949 to July 1950 (Figures in Hongkong Dollars)

	Total	State Agencies	Private	Percentage of State
Imports	28,920,308	10,450,272	18,470,078	34.92
Exports	12,830,111	2,006,774	10,823,337	15.64

It will be seen, that, principally due to the comparatively undeveloped state of the industrial situation of Fukien province, the State agencies still undertake only a very small share of the foreign trade of the province, which is quite different from the case of the industrially better developed areas.

Of the imports into Fukien during the period under review, chemical raw materials occupied first place, followed by liquid fuel, fertilizers, flour, pharmaceutical supplies, and communications equipment.

Exports in the order of value were chiefly native sugar, tea, mushroom and lumber.

An important feature of the foreign trade of Fukien during the period was the fact that transhipments via the province constituted a major portion of the foreign trade, and indeed were larger in volume than direct imports for,

and exports from the province. Details for the port of Amoy are not available, but figures for the port of Foochow show that of the total imports, HK\$5,402,490 worth of goods were destined for other areas, and only HK\$3,600,807 worth of goods were imported for local consumption. Similarly, re-exports of goods from other producing centres via Foochow amounted to HK\$3,265,170 in value, while exports of local produce were only valued at HK\$108,385.

Taking into consideration these facts, it will be seen that the import surplus of Fukien province is of far greater proportions than the foreign trade figures suggest.

A further feature of the foreign trade of Fukien province during the period reviewed is that the major portion of imports, amounting to some 70 per cent, was financed with self-provided exchange, a course necessary due to the small quantity of exports, and made possible by the availability of remittances from overseas Chinese of the province.

The special circumstances which have obtained in the province of Fukien, particularly its proximity to Taiwan have made it impossible for the authorities to undertake such drastic measures for the reorientation of the foreign trade policy including the strictest control of imports and exports and the means to finance such transactions. Nevertheless, the situation is not escaping the attention of the authorities, and it may be assumed that with further developments in the general situation and the further restoration of normal shipping facilities, the foreign trade situation of Fukien may undergo a thorough readjustment.

For the moment, at least, it seems that a realistic view is being taken of the situation and the principal objective appears to be that of keeping the flow of trade uninterrupted so that some needed supplies may be obtained

access to the sea. The exportation of local produce, limited though in value, nevertheless contributed partially to the producing areas which would otherwise face a decline of prices if the surplus production could not be disposed of.

The authorities appear to pin greater faith on the future development of foreign trade in Foochow principally because it is the outlet of the eastern and northern districts of Fukien where the greater part of the province's special produce are obtained, and which also provides a convenient transhipment centre for parts of Kiangsi and Chekiang bordering on the northern and northwestern parts of Fukien. Plans are under way for the intensified development of the trade of Foochow once the Nationalist blockade is fully removed.

Trade Report from Malaya

Overseas Trade for July/August

The overseas trade of Malaya during July and August showed a progressive increase for July and August as compared with June of this year, the figures being: June 455,507,724, July 548,126,096 and August \$676,479,700. Imports and exports for the three months were as follows:

	Exports M\$	Imports M\$	Balance M\$
June	241,024,351	214,483,373	26,540,978
July	297,946,673	250,179,423	47,767,250
Aug.	396,946,452	279,533,248	117,413,204

The increase of 33% in the August exports over those for July was due not only to larger shipments but also to the raised price of rubber.

For the eight months of 1950, total trade amounted to \$3,543,598,374, exports being \$1,903,624,656 and imports \$1,639,973,718, showing a favourable balance of \$263,650,938.

The United States, as usual, was first on the list of purchasers from Malaya, shipments to that country in August being valued at \$101.09 million as compared with \$67.91 m. in July. Total exports to the USA over the eight months ending August amounted to \$515.38 m.

The USSR came next to Great Britain in importance, exports of rubber to Russia in August amounting to \$24.2 m. (July \$22.45 m., June \$8.09 m.). Over the eight months, exports came to \$93.21 m.

Exports to Hongkong during August amounted to \$23.35 m., and to Thailand were valued at \$10.01 m. Exports to France, Germany, Italy, Denmark, Belgium and Czechoslovakia totalled \$60 m.

Rubber Exports

Rubber exported from Singapore and Federation ports during August reached the figure of 110,627 long tons—a record for post-war years, the highest

previous quantity being 103,154 shipped in July,—and in September came to 100,148 tons; the total for the nine months was 772,568 tons. For the nine months ending September 1950 exports from Singapore totalled 442,034 tons. Exports from the Federation amounted to 47,449 tons (Penang 24,777 t., Port Swettenham 21,389 t., and Malacca 1,283 t.). The January figures were 37,714 tons (22,217 t., 13,347 t., and 1,810 t.). For the nine months the Federation exports amounted to 328,532 tons.

Shipments of rubber to the United States in August came to 35,738 tons; and in September to 32,288 tons; over the nine months of 1950 262,231 tons were despatched to the USA. Great Britain took 16,012 tons in August and 15,922 t. in September, with a total of 144,479 tons over the nine months. Russia purchased 10,815 tons in August and 4,635 t. in September, and 63,422 tons in the nine months.

Singapore Shipping

In the half-yearly report of the Singapore Chamber of Commerce, recently issued, attention was drawn to the high tonnage of cargo dropped and loaded this year (Jan.-June) by ships calling at Singapore, which amounted to 4,061,961 tons and created a record, showing an increase of 261,304 tons over the figure for the first six months of 1949 of 3,751,359 tons. In the form of imports and exports, of cargo, excluding coal and fuel oil, the figures were as follows: imports 926,460 tons (1949 752,627 t.), exports 784,805 (697,334 t.).

Ships berthing in Singapore wharves numbered 1,421, compared with 1,315 ships for the first half of last year.

Malayan Trade with India

Malaya's trade with India, according to statistics issued by the Govt. of India, reached a monthly average of \$20.37 million during the January-June period of this year, as compared with an average of \$8.42 m. for the preceding four years. Imports from India into Malaya during the first six months of 1950 amounted to \$94.91 m., while exports to India from Malaya totalled \$27.34 m.,—a surplus of imports into Malaya of \$67.57 m. Compared with the January-June period of last year, imports showed an increase, but exports to India declined against the earlier figure of \$32 m.

Trade between India and Malaya during January-June 1950 was five times as great as for the first six months of 1940, which was a record year, Pakistan being then included with India.

Imports from India for 1950 (Jan.-June) comprised iron and steel, paper, medicines, hosiery, cement, enamelware, aluminium sheets, sports goods, fancy goods, cigarettes, musical equipment, roofing, and machine sewing threads.

THE COTTON SITUATION IN HONGKONG

By a Textile Expert

The impasse in the present cotton situation affecting the world textile industry is of such grave importance as to provoke serious thought. Here in our own little centre of Hongkong, the textile industry, in company with manufacturing centres in other parts of the world, finds itself facing a grave crisis. Apart from the restrictions imposed upon the free export of raw cotton from the United States of America, there have been, so far as is known, no allocations granted for this Colony when parcelling out quotas to world importers.

The United States of America grows more cotton than all the other countries put together. Under the most favourable conditions of growth, the total yield of all these "outside" countries amounts to less than half of the normal U.S.A. exports, and do not altogether compare in quality. According to reports issued by the U.S. Department of Agriculture on July 1, it was found that during the season only 19,032,000 acres had been planted with cotton. The latest report is to the effect that only 18,429,000 acres are suitable for harvesting. The total American crop, in the circumstances, is estimated at 9,882,000 bales against a yield of 16,000,000 bales in the previous season.

As a result of this shockingly small production, the entire spinning world, long before the season is over, will be starving for American cotton. But this is not all there is to fear, for the Secretary of Agriculture had announced that, while he was not minimising the tight cotton situation, if the need for cotton in the United States of America became critical, the nation's defence and essential civilian needs could be protected by cutting off exports entirely.

So the question of the next cotton crop looms up as of the greatest importance to all sections of the textile industry all over the world. What is not generally realised is that the huge world demand for cotton is increasing while the supply is shrinking. It is imperative that a considerably increased supply of cotton becomes available during the next season to provide for immediate needs and for a healthy carry-over. This is not easy. Legislation directed towards the sowing of an increased acreage cannot, by itself, assure a good yield. In the growing of cotton, once the seed is in the ground, weather conditions have a great influence as is evidenced by the yield of the 1950 crop. In the Southern belt, farmers have been planting crops such as hay, oats, corn and wheat on lands previously devoted to the growing of cotton, either because prices were more tempting or because the soil had become worn-out by continuous cotton growing.

The average actual consumption of raw cotton by the spinning mills in Hongkong runs to about 185,000 bales of 500 lbs. each, per year. Another 27,500 bales are required to build up a reserve stock of two months so that the total requirements may be rated at about 192,500 bales per annum.

A careful review of the situation in Hongkong in respect of cotton supplies already secured and contracted for, reveals that, while some mills are in a little better position than others, the average works out at approximately two months' consumption. Some 38,000 bales are under contract with shippers in Pakistan and elsewhere, and it is hoped that these will come forward in good time.

Pakistan cotton plays an important part in the grant of Imperial Preference Certificates inasmuch as the regulations call for a minimum of 25% of Sterling Area content in mixings. The latest report states that Pakistan's Cotton Market will re-open on the 16th November. This decision was apparently taken in concert by the Karachi and Pakistan's Cotton Associations on November 4th. It was further decided that all cotton commitments with foreign buyers be honoured. An appeal was made to the Government to take action against defaulters who fail to implement the contracts on due dates. This is all to the good, for it will help to ease the situation in Hongkong. It will be recalled that the export duty was raised from Rs. 160 per Bale to Rs. 180 per Bale. This steep increase is being upheld.

Purchases by Hongkong mills have been made of low grade Egyptian and African cottons and of growths of Turkey, Burma, Mexico and Brazil. The volume, however, is comparatively small and will not materially affect the situation. There are still small supplies of these cottons available but the staggeringly high prices demanded will limit their acquisition. A relatively small quantity of staple fiber has been purchased for the purpose of supplementing cotton supplies. Here again the production falls short of requirements with prices rising in consequence and offers few and far between.

Representations made by the mill owners to the Government of Hongkong have found immediate sympathy, and it is believed that negotiations are proceeding at high levels with the Governments of cotton producing countries with a view to obtaining allocations of cotton and to the reduction of recently imposed heavy increases in export duties.

The mills in Hongkong, operating some 185,000 spindles, at the present time work a day and night shift. Serious consideration is being given to the problem of eking out the consumption of raw cotton in such a manner as will keep the spinning mills working for as long a period as possible. This will necessitate a reduction of working hours, either by working a single shift only, or by stopping a number of days in the week. Much thought will be required in arriving at an arrangement which will cause the least hardship to the mill workers. In the spinning industry alone, some 7,000 of these with their dependents will be affected by stoppages.

The position of the weaving and knitting industries in Hongkong is equally serious as that of the spinning industry. Normally, when all the machines are at work, the consumption of yarns is about 8,000 bales per month, each containing 400 lbs. nett.

In order to conserve the stocks available, restrictions have recently been announced against the export of cotton yarns from Hongkong. This is understood to apply, at the moment, to the re-export of yarns not manufactured in Hongkong.

Looking at the position from every angle, one can only arrive at the conclusion that, for the textile industry in Hongkong, there will be some very trying times between the Spring and harvesting of the 1951/52 crop in the United States. It is to be hoped that all the steps necessary will be taken to ensure a substantial production of raw cotton next year.

Labour Employed in the Textile Industries in Hongkong.

Spinning:	
Male	4,936
Female	2,724
Total	7,660
Knitting:	
Male	2,271
Female	5,201
Total	7,472
Weaving:	
Male	2,260
Female	5,400
Total	7,660
Total workers:	22,792

Hongkong's Flashlight Industry

Flashlight manufacturing is one of the well-known prewar industries of Hongkong. With a history of some 32 years behind it, the industry has seen better days than those now prevailing—days when its products enjoyed great popularity in many parts of the world. As far as business is concerned, the best years were experienced in 1947 and 1948. But since the latter part of 1949 there has been a widespread depression, and the sharp fall in overseas demand has caused production to be heavily curtailed. Fortunately, new potential markets are being gradually developed and cheap Japanese torchlights, which used to flood the market before the war, have ceased to offer competition since the restoration of peace.

During the last three or four months the business conditions in the flashlight market have shown a marked improvement and production has been stepped up by 30 to 40 percent. The present combined monthly output of the local factories amounts to about 70,000 dozen flashlights valued at over \$1,000,000. Of this quantity from 95 to 98 percent are exported, principally to Southeast Asia, South and East Africa and South America. Sales to South America have grown to important proportions only during the last few months.

The first flashlight manufacturing enterprise established in Hongkong was the Nam Jam Factory (about 1928). Two years later the Sunbeam Manufacturing Co. started. Others followed but some have since liquidated. Today there are more than 30 factories in operation, the larger establishments each doing an annual business of several million dollars.

Some of the more prominent flashlight manufacturers are as follows:

Nam Jam Factory — Fook Wah Street, Kowloon:

Sunbeam Mfg. Co., Ltd. — Castle Peak Rd., Kowloon:

Chung Nam Flashlight Factory — 165 King's Rd., Causeway Bay:

Chung Wah Metal Factory — Kwelin St., Shamshui Po, Kowloon:

United Electric Mfg. Factory — Castle Peak Road, Kowloon:

Honour Metal Mfg. Co., Ltd. — Castle Peak Road, Kowloon:

Ling Nam Hardware Mfg. Co. — Matauwei Road, Kawloon:

A few of the enterprises have prospered and have built their own factories, such as Nam Jam, Sunbeam, Honour and Ling Nam. Another firm, the Chip Wo Factory, has also erected

its own plant, but on leased land. This firm like many others, manufacture hardware and metal goods, putting out flashlights either as the main article or as a sideline.

The capital generally required for establishing a flashlight factory varies from a few hundred thousand to over one million dollars. Production is divided into sections and a quantity of mechanical equipment is needed for turning out the finished product. With the smaller plants such work as nickel and chromium plating is not done by themselves.

The size of a factory can be judged by the number of workers it employs. The small plants usually have only 40 or 50 labourers while the Nam Jam Factory has nearly 920 workers, and the Sunbeam Mfg. Co., which is the second largest, about 400 workers.

The major raw material of the industry is brass sheet, used for making the body of flashlights. For cheaper products tinplate are used in the place of brass sheets. Imports come mainly from the United Kingdom. Lately, owing to the restrictions imposed by the British authorities on the export of metal products, only small quantities were exported to Hongkong destined solely for the use of the Colony's industries. Besides the United Kingdom, metal sheets are also procured from Continental Europe and Japan, while a fairly large quantity of locally made brass sheets is also used.

The combined capacity is now approximately 100,000 dozen per month. In the first half of this year business was lagging behind, and the factories were compelled to operate only at half capacity. As a result of the increased demand from abroad following the outbreak of the Korean hostilities, work has now increased to about 70 percent of capacity, and the aggregate monthly output is about 70,000 dozen.

Locally made flashlights are available with nickel or chrome plating or in assorted colours, the commonest variety being the nickel-plated products. Flashlights commanding the largest demand are those having a focussing range of 300 feet, the present factory prices of which range from \$18 to \$25 per dozen, depending on quality. The wholesale prices for lamps of 400 and 500 feet range vary from \$22 to \$28 per dozen, 1,000 feet from \$28 to \$35, and 1,500 feet \$40 and upwards. Cheap products made of tinplate and of 100 feet range are sold wholesale at only from \$5 to \$10 per dozen. These quotations are 20 percent or less higher than the rates prevailing before the Korean war, as compared with an

average increase of more than 70 percent in the cost of raw materials during the last four months.

Formerly pocket flashlights or pen-lights were produced by local factories, but the sales of these light weight models soon declined and production was discontinued. The fall in the demand for these miniature flashlights was attributed to the short life of the dry cells used in these models. Another explanation is that owing to a lack of research, the pocket lights that have so far been produced have not made a sufficient appeal to the public. Both the appearance and the utility of such lights have been lacking in sales qualities. If, on the other hand, there can be designed really fine models which will give general appeal as a novelty as well as a serviceable gadget, the demand will greatly increase, probably to above that of the old conventional types.

The work of the local flashlight factories is limited to the production of flashlight cases. The bulbs and focussing lenses are purchased by these plants from other groups of manufacturers. The dry cells are produced by still another division of makers. In the prosperous days before the war, there were more than 20 flashlight battery making firms, but as business declined they gradually closed down, until less than ten are still left in the trade today.

The well-known American firm of Eveready maintains a product branch in Hongkong. The company obtains its raw materials from the Nam Jam Factory, where it operates an assembling plant.

India, British Malaya, Indonesia and other Southseas countries used to be our best customers but now the best markets are West Africa, South Africa and South America. Exports also are made to the United Kingdom, Thailand and Australia.

In prewar years India imported some 60 percent of the local flashlight output but that country subsequently imposed restrictions on such imports. These import restrictions have since been tightened and the import quota granted for this year is only 25 percent of last year.

Indonesia formerly was another important customer for local flashlights, buying about 25 percent of our total production. As a result of the disturbed conditions in that new republic the demand disappeared almost completely. More recently the economy in that country has been steadily returning to normal and our exports to Indonesia are gradually improving. In addition to direct local exports, a large quantity is also re-exported from Singapore.

The outlook of the industry is encouraging; if supplies can be regularly obtained and the present raw material price boom subsides the local flashlight will remain in good demand by our old customers, and new ones may in due course be canvassed. The loss of China as a buyer, regrettable as it is, has been offset by Japan's at least temporary exit as a supplier. Increased operation here will depend in the near future on the reentry of

India as a buyer of local flashlights. But even without a relaxation of Indian import controls the local industry is optimistic as regards future expansion of production. Potential demand in Far Eastern countries and in the economically backward African territories is colossal and Hongkong's manufacturers are confident that they will obtain a good share in this business in spite of foreign competition.

HONGKONG'S TRADE FOR SEPTEMBER AND FOR THE NINE MONTHS OF 1950

Once again it is the pleasant task of the "Far Eastern Economic Review" to comment upon the remarkable showing made by the trade figures for September and the nine months of 1950. The word "remarkable" is used advisedly, as the September trade in merchandise amounting to HK\$762.3 million (£47.6 million, US\$126 million) created a fresh record, being an increase of 18.3% over the figure for August, itself a record, imports at \$358.8 million rising by 21.2% and exports at \$403.4 million by 15.9% over the previous month. The bulk of the increase was in dealings with China, imports at \$118.7 m. rising by 36.7% over August and exports at \$188.8 m. by 48.8%. The export surplus amounted to \$70.1 m.

Over the period January-September of this year the Colony's trade which totalled \$5,023 million (£314 million, US\$837 m.) showed a rise of nearly 43% compared with the same period in 1949. This increase has been steady, and has taken place notwithstanding the set-back encountered in China through disrupted communications, unsettled conditions and a chaotic industrial and commercial background.

A survey of the nine months makes it possible to draw several conclusions. For one thing, it is clear that Hongkong has rendered and continues to render an invaluable service in fulfilling the indispensable and time-honoured func-

tion of an entrepot. China needed goods, the world was willing and able to supply them. Without the aid of Hongkong with its unrivalled banking facilities, its storage capacity, its mercantile community accustomed to handling difficult situations,—though never before have the conditions been so involved as during the change-over in government from the old regime to the new,—and its flexible shipping services, (which proved adaptable and ready to meet any change in circumstances), to which should be added the position of the port as an air and rail terminus, things would have been even worse than they have been for the people of China.

A considerable amount of the trade with China has undoubtedly been due to purchases made by the People's Republic for purposes of rehabilitation, and to a large extent this has served to offset the loss in trade with Korea. This may also be said of the exports to Pakistan, which were mainly large purchases of cotton yarn that have since slowed down, and to the imports from Malaya, consisting to a great part of rubber. Other countries, however, have also shown increases, noticeably trade with Japan, which rose by nearly 33%; and as the following table will show, all the principal countries dealing with Hongkong improved in the total volume of trade:

Trade Increases 1950 over 1949 (9 months)

	Total Trade 1950 (HK Dollar M.)	Total 1949 (HK Dollar M.)	Increase or Decrease Per cent	Imports Per cent	Exports Per cent
China & Macao	1,714.3	993.8	72.5	31.8	113.8
U. S. A.	697.3	556.1	25.4	17.7	45.7
Great Britain	443.1	375.7	17.9	15.5	24.0
Malaya	446.9	245.5	82.0	97.1	76.7
Thailand	213.2	178.6	19.4	71.3	- 21.6
Pakistan	170.4	56.9	199.5	29.8	297.8
Japan	164.1	123.5	32.8	20.5	49.1
India	144.4	70.4	105.2	234.7	- 94.0

Apart from being an entrepot, it should not be overlooked that Hongkong is in process of becoming a great industrial centre with a future in world markets. The goods manufactured in the Colony can and, if costs are kept down, will supply a need. When conditions in Shanghai became difficult, several cotton mills established branches in Hongkong which, with their up-to-date machinery and trained workers, in several instances brought from the northern city, are able to turn out high-quality material such as can compete in any country given the opportunity. Other industries, such as enamelware, electric torch cases, vacuum flasks, rubber shoes, etc., have also developed and are becoming known abroad. For the nine months of this year exports of these locally-made goods shipped under Imperial preference certificate and cer-

tificate of origin amounted in value to \$150.2 million (£9.4 million, US\$26 million), which is a tidy amount for a Colony of 2 million inhabitants. The steady improvement in local industries over the nine months is shown below:

1950:	Exports
First quarter	\$30.5 million
Second "	45.1 "
Third "	74.6 "

Moreover these figures cover only shipments to the members of the British Commonwealth and such countries as require a certificate of origin; exports to the United States, for instance, are not included.

The third feature in Hongkong's economy worthy of note as contributing to the growth in trade, is the very im-

portant point that the Colony as a member of the British Empire has the stability derived from being a unit in a strong democratic combination. The Colony is a strong unit in more senses than one, as not only does its situation off the coast of China, easily accessible by land, sea, or air, give it an influence in commercial matters that would be hard to over estimate, but in its industrial development, referred to earlier, which is fostered by a Government sensitive to public opinion, it is able to make an important contribution to the Commonwealth of which it forms a responsible part.

King George VI when opening the restored House of Commons, expressed the hope that the new Chamber would be an inspiration and example to all throughout the world "at a time when their way of life is opposed by the dark counsels of materialism and tyranny," and the British Prime Minister, Mr. Clement Attlee, upon making the first speech in the new Chamber voiced the feelings of every member of the Commonwealth, in welcoming their representatives with the comment that although representing men and women of many races, they all belonged to one great democratic family, and that the legislatures they represented were an example "of the most successful method ever devised of combining effective government by the majority with full respect for the views of the minority." Hongkong is fully conscious of its democratic inheritance, and is capable of maintaining order and its position in the Commonwealth, while allowing freedom to trade and the free expression of opinion.

So much for the trade and industrial expansion of the Colony. Where the future is concerned, though there may be stormy seas ahead the ship is sound and the opinion held by the average Hongkong merchant is in line with that of Mr. John Keswick of Jardine, Matheson & Co. Ltd., who was recently quoted as saying: "The new China requires a new approach; but given peace and goodwill in the world it seems that China's international trade will develop." China traders are prepared to try this new approach, and as one businessman comments: "There is a decided improvement in our business (in Shanghai)... Our early faith that import business by foreign firms could be done under the new regime is thus being realized, and has taken shape in the normal methods of trading, which we did not regard as possible... From now onwards, China is a country worth watching. Before very long there will be big business here."

The Far Eastern Economic Review is glad to echo these confident words, written from Shanghai where things at one time seemed very dark. China is indeed worth watching, and the steady development of Hongkong's trade with her neighbour, which has risen during these nine months by close upon 73% is a confirmation of the substantial correctness of this attitude.

TRADE OF HONGKONG

IMPORTS AND EXPORTS OF MERCHANDISE FOR THE NINE MONTHS
OF 1947, 1948, 1949 and 1950
(In thousands of Hongkong dollars)

	1947				1948			
	Imports	Exports	Import Excess	Import Excess %	Imports	Exports	Import Excess	Import Excess %
9 months	1,054,590	851,852	202,738	23.80	1,431,703	1,105,972	325,731	29.45
Monthly average	117,176	94,650	22,526	23.80	159,078	122,885	36,192	29.45
1949								
9 months	1,917,310	1,597,551	319,759	20.01	2,555,829	2,467,238	88,591	3.6
Monthly average	213,034	177,505	35,528	20.01	283,981	274,137	9,844	3.6

Monthly Averages for the Years 1947, 1948, 1949 & 1950 (9 months)

(000 omitted)

	Imports	Exports		Imports	Exports
1947:	\$129,161	\$101,402	1949:	229,183	193,232
1948:	173,128	131,895	1950:	272,669	274,137

Hongkong's Trade for September and the first nine months of 1950

The total volume of trade for the month at \$762.3 millions is once again a record, being up by 18.3% over last month. Imports at \$358.8 millions were up by 21.2%, and exports at \$403.4 millions up by 15.9%, showing a large though slightly decreased favourable balance of \$44.6 millions for the third successive month.

It is gratifying to observe that the increase was largely due to China which accounted for over one third of this month's trade. Figures for China and Macao are shown in millions of dollars below, last month's figures being given in brackets:

	Imports	Exports	Total
China, N.	29.5 (22.6)	74.2 (45.8)	108.7 (68.4)
China, M.	25.2 (11.4)	33.3 (28.8)	58.5 (39.7)
China, S.	54.7 (42.2)	66.4 (89.4)	121.1 (81.6)
Macao	9.3 (10.1)	14.9 (18.4)	24.2 (23.5)
Total	118.7 (86.3)	188.8 (126.9)	307.5 (213.2)

The item in imports from North China which showed the largest increase was raw silk, from a mere \$2,000 to nearly \$2 millions, almost all of which went to India. Other large items were textiles and soya beans. Exports of raw cotton to North China recovered from \$0.5 million to \$17.1 millions, sugar from \$0.2 million to almost \$7 millions, pharmaceutical products from \$3.6 millions to \$9.0 millions, and copper wire from \$2.5 millions to \$3.8 millions. There were decreases in raw rubber, from \$10.6 m. to \$7.3 millions and in iron and steel, from \$8.2 millions to \$6.6 millions.

The increase in imports from Middle China is again attributable to heavy shipments of sugar from Formosa, much of which once again went to the Chinese mainland. Increased exports of fertilizers and paper to that area were recorded.

It is interesting to note that during this month white rice imported from South China amounted to a value of \$3.9 millions as against \$0.7 million for August. Other main items responsible for the increase in imports were wood oil, eggs, bristles, vegetables, roots and tubers chiefly used for human food, and textiles. Exports of raw rubber nearly quadrupled in value from \$5.9 millions to \$22 millions. Other increases recorded were pharmaceutical products, from \$10.1 millions to \$15 millions; iron and steel from \$8.9 millions to \$6.6 millions, dyeing and tanning materials, from \$4.4 millions to \$6.9 millions; and non-ferrous base metals, from \$0.7 million to \$2.1 millions. Exports of non-electrical machinery and apparatus fell from \$3.9 millions to under \$1 million.

Figures in millions of dollars for trade during September with specific localities of China or by specific routes are as follows (last month's figures are shown in brackets):—

	Imports	Exports
Formosa	17.3 (6.5)	21.9 (19.4)
S. China (by land)	88.7 (81.9)	64.2 (88.6)
Shanghai (by rail)	0.9 (0.009)	4.2 (1.7)
(by sea)	9.7 (7.8)	5.5 (5.2)
Hainan	0.8 (0.1)	0.08 (0.08)

The Colony's trade during this year with China is remarkable. Figures for the first nine months of 1950 in millions of dollars are as follows:— (figures for the corresponding period of 1949 in brackets)

	Imports	Exports	Balance
Jan.	51.6 (39.8)	98.4 (13.2)	+ 41.8 (-26.6)
Feb.	44.0 (34.0)	82.0 (23.0)	+ 38.0 (-11.0)
Mar.	58.1 (49.1)	94.5 (81.5)	+ 41.4 (-17.6)
Apr.	49.1 (36.5)	88.6 (19.5)	+ 34.5 (-17.0)
May	80.9 (88.7)	76.4 (31.8)	- 4.5 (-57.4)
June	58.0 (51.9)	77.7 (36.8)	+ 19.7 (-15.6)
July	62.0 (48.5)	94.2 (88.7)	+ 32.2 (-4.8)
Aug.	76.2 (46.4)	113.5 (52.2)	+ 37.3 (+ 5.8)
Sept.	109.5 (50.9)	178.9 (73.0)	+ 64.4 (+22.1)
Total	584.4 (440.8)	889.2 (318.7)	+ 304.8 (-122.1)

Taking Macao into account also, the favourable balance is yet further increased. Figures for the first nine months of the year are as follows (in millions of dollars)—

	Imports	Exports	Balance
China North	262.3	391.3	+ 129.0
China Middle	81.5	263.3	+ 181.8
China South	240.5	234.4	- 6.1
Macao	75.8	165.2	+ 89.4
Total	660.1	1,054.2	+ 394.1

Main imports from and exports to China for the first 9 months of 1950 (in millions of dollars) with comparisons for the same period of 1949 were:—

	Imports		1st nine months	
			1950	1949
Animal and vegetable oils	149.8	63.2		
Miscellaneous crude or simply prepared products (bristles, feathers etc.)	71.9	62.8		
Oil seeds, nuts and kernels	37.6	13.1		
Textile fabrics and small wares	87.8	86.8		
Live animals, chiefly for food	30.6	31.9		
Feeding stuffs for animals (oil seed cakes, etc.)	24.7	6.5		
Yarns and threads	21.9	29.2		
Dairy products, eggs and honey	19.1	14.5		
Textile materials, raw or simply prepared	18.6	3.7		
Non-ferrous base metals (tin ingots of Chinese origin, etc.)	2.5	23.0		
Exports				
Textile materials, raw or simply prepared (raw cotton)	128.7	37.4		
Pharmaceutical products	92.0	29.2		
Rubber & manufactures thereof	79.8	17.5		
Iron and steel	59.3	14.2		
Products for heating lighting and power, lubricants and related products	51.4	33.3		
Made up articles of textile materials, other than clothing	47.9	6.4		
Dyeing, tanning and colouring materials	45.1	18.1		
Paper	25.2	27.7		

Trade Figures for Wood Oil

The Colony's Trade in wood oil, one of the principal "China products", is of interest. Below are the figures in piculs for the first nine months of 1950 (figures for the corresponding period of 1949 in brackets)

	Imports	Exports
January	3,098 (24,448)	4,556 (67,410)
February	35,847 (22,814)	22,181 (20,423)
March	45,981 (43,959)	28,688 (32,368)
April	38,241 (38,241)	48,658 (23,288)
May	74,694 (67,135)	54,801 (64,446)
June	35,451 (11,415)	78,489 (86,666)
July	82,141 (8,583)	61,884 (80,227)
August	122,829 (11,929)	110,718 (28,384)
September	126,923 (9,169)	126,858 (44,218)
Total	574,458 (228,892)	585,783 (346,755)

Other noteworthy features of the month's figures are as follows:—

United Kingdom:—Imports increased from \$27.6 millions to \$32.9 millions largely due to pharmaceutical products and textiles. Exports of wood oil increased by \$1.7 millions but teased oil showed a decrease of \$2.5 millions.

Malaya:—Imports increased by over 100% due to heavy shipments of raw rubber, exports of which to China during September, 1950, totalled \$29.9 millions. Exports also registered a considerable increase with textiles up by \$3.8 millions, clothing and underwear up by nearly \$2.0 millions, manufactured articles up by \$1.8 millions and iron and steel up \$1.1 millions.

Burma:—Exports of yarns and threads fell heavily from \$5.8 millions to \$1.5 millions.

French Indochina:—Imports fell from \$5.8 millions to \$1.5 millions, thanks to the cessation of rice shipments. An all round decrease in exports is also recorded.

Germany:—Exports nearly trebled over last month, the chief items being oil seeds, nuts and kernels, mainly sesamum seed, up from \$0.3 million to \$2.3 millions; and dairy products, mainly dried eggs, from \$0.6 million to \$1.6 millions.

Japan:—Imports from Japan jumped from \$19.0 millions to \$25.9 millions as the full effect of the liberalising of the Japan import procedure came to bear. Of the total, textiles accounted for \$11.7 millions. Exports went up from \$6.0 millions to \$10.8 millions.

Thailand:—Imports increased from \$15.7 millions to \$24.1 millions of which total rice accounted for \$18.2 millions. The fall in exports of nearly 50% is mainly attributable to yarns and threads, and to pharmaceutical products.

U.S.A.:—The increase in imports of \$2.1 millions was entirely accounted for by manufactured articles, iron and steel, and cotton. Exports showed a drop of \$9 millions, the decrease being spread over a wide range of commodities, notably pigs' and boars' bristles, down by \$1.4 millions.

Pakistan:—Raw cotton to the value of \$13.4 millions was the sole import, and much of this went to China. Exports fell by \$7.2 millions, the chief items affected being textiles, and yarns and threads.

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Other Countries:—Imports of raw sugar to the value of \$3.2 millions from Mauritius were recorded.

Air Freight

The air freight figures for the month show the importance of the Colony as a centre of air traffic. Figures for imports and exports, exclusive of parcel post, were—

	Weight	Value
Imports	43,205 kg.	\$ 13,764,187
Exports	60,266 "	8,670,804
Total	103,471 kg.	\$ 22,434,991

The U.S.A. supplied goods by air to the value of over \$6 millions; Switzerland over \$5 millions.

JAPANESE TRADE

The value of export contracts signed was rather lower than in the previous month, being US\$1,954,422 as against US\$3,703,331 in August. Actual shipments effected during the month were at roughly the same rate, US\$2,656,409 against US\$2,703,810. Import licences were issued for goods to a total value of US\$11,382,282, representing a further large increase. Some importers are experiencing difficulties in obtaining permission to export certain commodities from Japan, and it seems improbable that the whole of this very large volume of goods will in fact be forthcoming.

**Hongkong Department of
Commerce & Industry
—September Report**

Revenue

-There was a slight increase in revenue during the month, details being given in Appendix 1. The revenue totals for the first six months of the financial year under the various sub-heads are as follows:-

Hydrocarbon Oils	\$ 7,613,919
Liquor	4,621,574
Perfumed Spirits	201,039
Tobacco	16,826,551
Locally manufactured Liquor	2,287,826
Proprietary Medicines and Toilet Preparations	1,829,267
Table Waters	1,551,153
 Total	 \$ 34,361,320

Seizures of dutiable cigarettes were up again to 845,000 of which over 700,000 were of Macao origin. It was disturbing to find that the practice of bartering goods with seamen for dutiable cigarettes is still widespread, and one address raided yielded 98,000 cigarettes ex Ships Stores which had come ashore by this means.

Seizures of Chinese Tobacco fell away to 1,320 lbs.

Illicit distilling continues on a large scale at Cha Kwo Ling, and the month's total of stills found was 75.

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Hongkong's Trade for September

Hongkong's Trade for the First Three Quarters

TOTAL VALUES OF IMPORTS & EXPORTS BY CHAPTERS						
Articles	IMPORTS			EXPORTS		
	September 1950	September 1949	September 1950	September 1949	September 1950	September 1949
Live animals, chiefly for food	3,277,210	3,445,972	10,610	—	—	—
Meat and preparations thereof	1,591,405	510,476	313,575	345,295	—	—
Dairy products, eggs and honey	6,759,209	4,987,673	4,961,293	3,111,617	—	—
Cereals	23,540,075	1,837,943	370,744	846,212	—	—
Fishery products, for food	4,367,367	9,921,985	3,018,939	3,467,979	—	—
Manufactured products of cereals, chiefly for human food	1,604,928	10,056,609	2,960,154	7,480,948	—	—
Fruits and nuts, except oil-nuts	5,517,671	4,435,728	2,698,937	4,304,899	—	—
Vegetables, roots & tubers, chiefly used for human food & their preparations, n.e.s.	10,429,172	5,904,365	8,767,400	10,292,802	—	—
Sugar and sugar confectionery	23,883,172	7,725,128	12,017,438	3,803,629	—	—
Coffee, tea, cocoa and preparations thereof; spices ..	3,582,265	2,303,716	4,127,280	1,920,516	—	—
Beverages and vinegars	1,841,772	2,522,656	1,501,721	1,112,253	—	—
Feeding stuffs for animals, n.e.s.	1,965,411	4,836,652	2,527,581	6,101,693	—	—
Tobacco	5,816,138	7,802,268	3,489,721	3,973,855	—	—
Animal and vegetable oils, fats, greases and waxes and their manufactures, n.e.s.	7,184,723	4,547,025	6,299,095	3,036,475	—	—
Chemical elements and compounds; pharmaceutical products	28,043,120	7,150,877	29,606,709	12,720,655	—	—
Dyeing, tanning & colouring substances (not including crude materials)	24,666,592	13,930,372	34,364,149	9,873,63	—	—
Essential oils, perfume cosmetics, soaps and related products	2,213,977	2,774,990	1,968,673	1,340,55	—	—
Fertilizers	3,108,009	3,421,68	8,245,401	2,804,93	—	—
Rubber and manufactures thereof, n.e.s.	40,966,665	5,357,511	33,464,249	6,194,06	—	—
Wood, cork and manufactures thereof	4,642,672	4,303,562	1,702,654	1,112,56	—	—
Pulp, paper & cardboard & manufactures thereof	4,824,390	8,729,930	7,677,353	8,928,48	—	—

TOTAL VALUES OF IMPORTS & EXPORTS BY CHAPTERS						
	IMPORTS			EXPORTS		
	1st 9 months 1950	1st 9 months 1949	1st 9 months 1950	1st 9 months 1949	1st 9 months 1950	1st 9 months 1949
Articles	\$	\$	\$	\$	\$	\$
Live animals, chiefly for food	30,950,954	32,368,791	71,026	8,560		
Meat and preparations thereof	11,065,317	8,042,255	3,953,989	4,573,951		
Dairy products, eggs and honey	53,367,434	46,878,502	30,568,867	28,371,863		
Fishery products, for food	47,276,798	50,139,372	32,293,981	21,146,552		
Cereals	117,593,326	56,194,703	13,431,882	3,181,097		

Hides & skins & leather Manufactures of leather, not including articles of clothing	3,187,347	2,465,609	3,214,449	1,176,624	Hides & skins & leather Manufactures of leather, not including articles of clothing	19,645,519	19,002,529	16,929,145	15,198,255
Furs, not made up	93,839	71,316	712,148	390,056	Clothing	741,036	4,513,546	3,901,632	
Furs, not made up	19,440	74,077	33,060	8,003	Furs, not made up	2,280,215	2,927,366	4,598,557	
Textile materials, raw or simply prepared	20,837,995	11,758,576	30,363,765	13,972,153	Textile materials, raw or simply prepared	65,955,358	167,067,656	63,258,618	
Yarns and threads	8,505,158	6,066,666	21,671,023	16,181,341	Yarns and threads	101,600,355	65,768,842	177,460,268	96,125,403
Textile fabrics and small wares	34,520,832	20,953,826	44,903,968	20,185,052	Textile fabrics and small wares	202,842,270	152,183,371	203,110,697	149,876,328
Special and technical tex- tile articles	893,140	833,272	1,386,107	553,421	Special and technical tex- tile articles	10,692,492	6,765,982	9,987,145	4,888,177
Clothing & underwear of textile materials; hats of all materials	2,886,911	2,636,423	14,408,887	5,598,124	Clothing & underwear of textile materials; hats of all materials	23,525,013	16,304,527	102,629,092	63,579,371
Clothing of leather & fur Footwear: boots, shoes & slippers	13,911	33,445	—	—	Clothing of leather & fur Footwear: boots, shoes & slippers	85,279	56,370	8,952	5,510
Made-up articles of tex- tile materials other than clothing	120,059	245,595	1,508,074	1,198,410	Made-up articles of tex- tile materials other than clothing	1,612,231	1,152,706	24,273,372	15,257,677
Products for heating, light- ing & power, lubricants & related products, n.e.s.	8,316,420	22,177,392	2,990,573	7,281,530	Products for heating, light- ing & power, lubricants & related products, n.e.s.	44,514,263	30,118,842	69,311,548	51,622,915
Non-metallic minerals, crude or simply pre- pared, n.e.s.	1,825,920	6,206,701	3,808,920	7,690,429	Products for heating, light- ing & power, lubricants & related products, n.e.s.	13,957,553	14,706,431	5,152,595	4,868,487
Pottery and other clay products	1,663,061	1,321,229	554,407	403,344	Pottery and other clay products	9,433,655	9,135,873	7,660,085	6,890,805
Glass and glassware	848,494	797,619	958,764	887,694	Glass and glassware	6,927,836	10,356,266	6,312,499	8,312,866
Manufactures of non-me- tallic minerals, n.e.s.	798,248	788,546	993,464	968,561	Manufactures of non-me- tallic minerals, n.e.s.	3,747,803	3,039,335	2,445,690	1,207,245
Precious metals & precious stones, pearls & articles made of these materials	404,776	304,975	835,361	93,807	Precious metals & precious stones, pearls & articles made of these materials	9,838,974	30,461,042	4,394,655	4,427,547
Ores, slag, cinder	425,046	7,278,169	531,580	959,141	Ores, slag, cinder	951,607	27,176,012	10,881,554	22,776,758
Iron and steel	35,309	3,351,154	762,061	3,049,572	Iron and steel	81,744,023	49,487,775	67,652,648	24,130,535
Non-ferrous base metals Manufactures of base metals, n.e.s.	7,400,046	5,105,133	16,503,443	3,935,423	Non-ferrous base metals Manufactures of base metals, n.e.s.	30,877,273	42,482,330	34,170,534	41,650,633
Machinery, apparatus and appliances other than electrical, n.e.s.	4,300,502	5,030,394	14,192,476	8,849,750	Machinery, apparatus and appliances other than electrical, n.e.s.	48,186,922	49,994,680	90,338,771	90,496,421
Electrical machinery, ap- paratus and appliances Vehicles and transport equipment, n.e.s.	7,242,152	4,800,706	4,287,664	1,625,645	Electrical machinery, ap- paratus and appliances Vehicles and transport equipment, n.e.s.	59,249,984	60,618,713	45,083,481	12,632,066
Miscellaneous crude or simply prepared pro- ducts, n.e.s.	12,615,553	10,936,067	17,532,864	15,127,529	Miscellaneous crude or simply prepared pro- ducts, n.e.s.	45,297,363	43,446,698	25,903,034	17,272,581
Manufactured articles, n.e.s.	16,887,255	14,318,213	20,661,193	9,306,920	Manufactured articles, n.e.s.	36,071,198	39,194,060	26,779,593	16,850,087
Total Merchandise	358,846,627	267,026,963	403,423,558	224,847,623	Total Merchandise	2,555,829,421	1,916,540,735	2,467,238,110	1,597,516,594
Gold and Specie	153,864	89,418,140	2,953,074	12,911,801	Gold & Specie	14,620,438	138,963,407	38,216,324	102,831,047
Grand Total	359,000,491	356,445,103	406,386,632	237,759,424	Grand Total	2,570,449,859	2,055,504,142	2,505,454,434	1,700,347,641

(Continued from Page 573)

There were two further cases involving the misuse of European type liquor labels. Convictions were obtained in each case.

Reference to Appendix 2 will show that seizures of proprietary medicines are on the increase. One considerable seizure was made from a junk arriving from Macao, and another from a sampan which had taken the goods from a vessel entering port from Singapore.

Imports and Export Control

Import Licences issued totalled 2,957 and Export Licences 9,409, a grand total of 12,366.

Although the number of cases of illegal export of petroleum products discovered by officers of this department was unchanged, the quantity seized was larger. The most serious case concerned 92 drums of Diesel Oil.

There were 44 cases of attempted import of gold, mainly in small quantities. The largest seizure was of 200 taels.

There were several small seizures of sugar, cheese, canned meat, and empty bottles, which were being exported without licence.

Supplies

(a) *Rice.* Offtake of Government rice on the ration fell once again to only 4,171 tons. Government imports of rice from Siam totalled 12,400 tons, the stock on hand thus increasing by over 8,000 tons. The storage position has been somewhat eased by the release from military requisition of one of the godowns belonging to North Point Wharves, Ltd. This space has now been made available for rice storage. Commercial rice imports from Thailand totalled 2,600 tons, and considerable quantities entered the Colony from Kwangtung.

(b) *Flour.* Stocks were reduced by 1,437.5 tons to 3,692.5 tons. Of the amount disposed of, a total of 22,585 bags was in bad condition and was sold at a reduced price to clear stocks. Flour was deleted from the Reserve Commodity (Re-export) Order by G.N.A. 197 in the Government Gazette of the 8th September.

(c) *Sugar.* Issues of Sugar during the month were 1,130 tons of white sugar and 750 tons of brown. Distribution continued to be unsatisfactory.

(d) *Meat.* Releases from Government stocks were reduced to normal following an improvement in the supplies of fresh meat.

(e) *Coal & Charcoal.* Receipts of coal during the month totalled 16,440 tons, one shipment of 6,562 tons coming from India and the remainder from Chinwangtao. Stock at the end of the month was 42,289 tons. The remaining stock of charcoal was disposed of during the month. It is not proposed to make further purchases.

Industry

Imperial Preference Certificates and Certificates of Origin issued totalled 2,551. This figure is likely to decrease in view of the fact that Australia will not in future require Certificates for

FINANCIAL REPORTS

THE POLITICAL SITUATION

Communist China's entry into the war in Korea has become a fact as evidenced by the events of last week. As yet no alarming situation has arisen as the extent of the intervention by Peking, obviously at the orders of Moscow and with the USSR's surreptitious support, appears to be on a relatively small scale—probably good enough to make good the threats of the Peking Government uttered on October 1 (red China's new national holiday) and to prolong the period of mopping up the communist Korean army with which the UN forces are confronted. The danger however exists that out of the current hostilities a major war in Manchuria will develop and what then may come to pass is left to everybody's imagination.

Against all better counsels the Peking Government has seen fit to march troops into North Korea, to continue on a greatly extended basis the material support of the army fighting under

Hongkong products. Exports of cotton piecegoods and cotton yarn to Pakistan fell away very considerably. There were some signs of an improvement in the rubber shoe industry.

Price Control

Two meetings of the Price Control Advisory Committee were held during the month and general agreement was reached on the recommendations to be made to Government. The most important of these was that instead of attempting to fix a maximum retail price for every available brand of some particular commodity, a ceiling price should be prescribed for that commodity. This recommendation has been accepted by Government and the policy is being gradually applied.

Dangerous Drugs

Seizures of raw opium were up, largely due to one case of 850 taels found in Saileungchoi Street, and to another of over 1,300 taels by the Police, in which Court proceedings are still pending. The largest seizure of Dangerous Drugs since the war was made on the 20th September, when 460 ounces of heroin and 140 ounces of morphine were found in Kowloon. The case is for committal to the Criminal Session of the Supreme Court.

Government has now approved a proposal that the Director of Medical and Health Services should take over responsibility for Dangerous Drugs and the necessary legislation to give effect to this decision is under consideration. As a result of this change it has further been decided that the existing laboratory in the Department of Commerce and Industry shall be closed, and that all chemical work will in future be handled by the Government Chemist in the Medical Department. This change will enable further reorganization measures to be put in hand with a view to greater efficiency.

Kim Il-sung against the U.N., and to challenge the U.N. as a whole. Militarily, the situation in Korea may, for a time, deteriorate as the UN forces under Gen. MacArthur may be compelled to withdraw to a defence position in the south; politically, the Chinese communists have committed the most serious blunder and have created a strong feeling of antipathy even among their former 'fellow travellers' and appeasers who figured to see the possibility of the emergence of a Tito in China. From now on the lines are clearly drawn, come what may.

With a strong and determined U.S. the 'Free World' has nothing to fear from the world-wide aggression of the communists; the appeasers are out and the 'hot war, stage one' is on in earnest. The pessimists, or better say the realists, have been right and those who were, nobly though, talking and acting as if reason and decency was to be expected from a communist government must admit their mistake.

One may still hope that a concerted effort made by the U.N. will have its sobering effect on the Chinese satellite of the Soviet Union and that the expansion of hostilities in North Korea and Manchuria can be obviated. Above all, the lack of preparedness on the part of the Russians may act as deterrent to the extension of the war but one must not forget that wars not always start according to plan but that events usually move faster than the political engineers have schemed out and that we may slither into world war III without knowing it. Communist propaganda has of late played up the 'master plan' of the Soviets to lure the Americans into Manchuria and there to defeat them—prepare for them a sort of Moscow battle (analogy of Nazi Germans attacking the Russian capital and eventually being defeated there as well as at Stalingrad). No doubt, the communist propaganda is aiming at instilling in the fence-sitters a sense of confidence in the eventual (even 'inevitable') victory of the communists. But the superiority of the U.S. is indisputable and therefore, one may easily presume, the majority of the Chinese will not side with the communists.

The hour of Chiang Kai-shek is approaching; the star of the Generalissimo is rising and the come-back is now a matter to be seriously watched. The Nationalist Government of China, though exiled in Taiwan, is still the recognised government by the majority of free nations—and those democratic governments who had previously recognised Peking, as is now emerging, under too optimistic appraisals of the political situation in China may have to revise their actions of early 1950. Already India is showing serious misgivings and the severance of diplo-

matic relations is possible. Britain would then follow and fall in line with the US policy in the Far East. Chiang Kai-shek would then prove a very valuable ally. Already reports from China indicate without doubt that the Generalissimo still commands the loyal support of millions, probably the majority of politically conscious Chinese. Given unstinted military support, the return of Chiang Kai-shek may turn into a triumphal entry into the mainland which could easily swamp the so-called People's liberation army back to the north.

* * *

The financial markets in the Colony have been concerned but not upset by developments in Korea, and everywhere the reckless move of the Peking Govt. has met with words of censure and anger. Already the proved intervention of Red China in the affairs of Indochina, where the Ho Chi Min insurrectionist government is officially recognised by Peking and militarily supported by the 'People's Liberation Army' of Red China, is causing indignation among the Chinese people—both inside and outside the borders of the red state. Hardly has China emerged from destructive civil war and the people—in whose name Mao Tse-tung wields dictatorship—are repairing their wounds, and new 'revolutionary tasks' beyond China's borders are presented to the people; and they are harangued into taking up arms against foreign 'imperialists'—in Indochina, in Korea, in Tibet and tomorrow in many other countries. The Chinese people want peace and oppose the military ventures of Peking which, as more and more people come to realise, are ordered by Moscow for reasons entirely unconnected with the Chinese people. While the 'liberation' of Tibet is a matter which for practical but not ethical considerations can be ignored, and the support given to the insurrectionists in Indochina is camouflaged, the military intervention in North Korea is a grave affair which can only arouse, among the Chinese people and elsewhere among democratic peoples, feelings of bitter resentment that 'new China' has become so obviously the tool of Soviet imperialism.

There will be fluctuations in prices, especially in the gold market and in free market foreign exchange. Anxiety about the future of Anglo-Red China relations will lead to much abuse by speculators. Strategic commodities will further firm up in prices until the present grave tension will show definite signs of improvement. The stability of Hongkong remains however unquestioned; its currency, which is sterling, is firm as the rock on which this place is built and investments in this Colony should continue to attract especially Chinese capital.

Unfortunately, the relations with Peking cannot be regarded in future as free from friction—not because the population of this Colony has any intention to cause ill-feelings but as a result of the vicious and lying propaganda of Peking radio and Peking's controlled press. As the intentions of Peking become clearer—that is to say, as the firm hold of Russia on the 'People's Republic of China' emerges as a fact from the acts committed by the communist government—the indecision in political outlook as displayed here since the coming to power of the communists and their subsequent recognition by Britain as the legal government of 'new China' is fast disappearing giving way to determination to resist any further communist act of aggression.

HONGKONG FREE MARKET

Review for the week October 30 ... November 4—

GOLD:—Highest & lowest rates for the last week per .945 fine tael \$304 $\frac{3}{4}$ —291 $\frac{1}{4}$ equiv. to .99 fine tael and oz rates of \$319.26—305.11 and \$265.32—253.56. Crossrates US\$41 high, 40 low.

Macao and Canton rates per .99 fine tael \$313 $\frac{1}{2}$ —302, and \$31—299 respectively.

Forward interest in Hongkong totaled for the week per tael per day, in favor of sellers, 49 cts. (previous week 29 cts.); in Macao interest changed from earlier in the week being in favor of buyers to one in favor of sellers, indicating that again lower prices are expected after the recent appreciation of gold rates.

Forward contracts totaled 223,500 taels of .945 fine, forward contracts daily average 37,250. Positions averaged daily 108,900 taels. Cash sales: official 25,830, unofficial 16,600, a total of 42,430 taels.

Exports: to Bangkok 2500, to Singapore 1300, a total of 3800 taels. Imports: from Macao 800, Canton 300, a total of 1100 taels.

Under the influence of the war news from Korea the market went bullish. There was every indication that the 'war mongers' had been right with their predictions of Chinese communist armies' intervention in Korea. Prices would have ascended more had it not been for the heavy trading stock and the ample overseas supply which via Macao is made available for local and possible China use. Macao arrivals have already commenced—once again this year. The first shipment was approx. 30,000 ozs but several contracts were signed which provide for shipments of over 2 tons. The new bullion is to arrive within ten days. If demand still remains high and prices here exceed overseas bullion centres quick imports via Macao will be effected. There is no scarcity anywhere and Latin American mines are anxious sellers but brokers have advanced their offers in line with better rates quoted here and especially in China.

Exports were small and the prospect for continued shipments is not encouraging on account of high prices prevailing here and lack of appetite in Far Eastern markets. The China market however, looms large again. Prices in Shanghai and in other leading cities in China have risen and continue to rise as a result of much genuine buying (hoarding) by the public. The developments in Korea and the unreasonable policy of Peking have convinced a number of people that war with the Democracies is a real danger and may eventually bring disaster to the nation. Hoarding of gold has started some time ago but recently it has been stepped up; at the same time black market business, especially buying of foreign exchange, has also gained in scope and may soon lead to considerable appreciation in the rates of all foreign currencies.

Gold in Shanghai quoted last week PB\$1.7 to 1.8 million per oz which comes to approx. HK\$415 per .99 fine tael. Generally, gold prices in China were from 15 to 30% above local rates.

Highest (& lowest gold (.945 fine) and US\$ (TT New York) Rates:

	Gold	US\$		
October	high	low	high	low
30	\$300 $\frac{1}{4}$	296 $\frac{3}{4}$	640	639
31	298 $\frac{1}{4}$	294 $\frac{1}{4}$	639 $\frac{1}{4}$	638
November				
1	295 $\frac{1}{4}$	291 $\frac{1}{4}$	637 $\frac{3}{4}$	634 $\frac{1}{2}$
2	300	291 $\frac{1}{4}$	641 $\frac{1}{2}$	637
3	299 $\frac{1}{4}$	296 $\frac{1}{4}$	641 $\frac{1}{2}$	638 $\frac{3}{4}$
4	304 $\frac{3}{4}$	299	644 $\frac{1}{2}$	641

SILVER:—Prices last week ruled strong; supply was a trickle and New York prices remained high (80 cts. per oz). Local prices per .99 fine tael \$5.28—5.32, per dollar coin \$3.30—3.38, per twenty cents coins \$2.58—2.60. The local price equals the New York price (calculated at the open market rate for TT New York) and therefore exports to US cannot be made. China has been a scanty supplier during recent months; apart from reluctance to sell by private holders there is official buying in China by agents for Russia where silver is required for industrial purposes.

US\$:—Highest & lowest rates per US\$100:—US notes \$639 $\frac{1}{4}$ —631 $\frac{1}{2}$, DD 642—633 $\frac{1}{4}$, TT 644 $\frac{1}{2}$ —634 $\frac{1}{2}$, equiv. to crossrates of US\$2.482—2.521.

Sales totaled in the TT sector US\$ 570,000, and in DD and notes 655,000, a total of US\$1,225,000.

There was some hoarding of US notes as the news from Korea were interpreted as heralding major warfare in the near future. Merchant demand declined and in future it may be expected that less American merchandise will be allowed, by the US authorities to be consigned to China, and therefore demand for US\$ should, on this score, not lead to a rate appreciation. On the other hand Chinese 'hot money' may prefer US\$ to the local currency thus leading to a temporary high rate of US\$. Principal influence for the rate is

however the gold market where demand for new gold brings about demand for TT New York and thus the local rate for US\$ may be lifted to a level entirely inconsistent with world market free rates for transferable sterling. The gold market position in China must be watched as the possibility for renewed hoarding exists in case of Peking's further embroilment in the Korean war.

CHINESE EXCHANGE:—The un-called-for interference by the Chinese reds in the war in Korea has caused a critical situation on the financial markets in China. Nobody except the die-hard communists believes that Peking will gain anything from the participation in the war in Korea; the eventual overthrow of the communists in China is predicted. Under such conditions public confidence in the so-called People's Bank money is weakening. Hoarding of gold and foreign exchange has begun. If there are further signs of Peking's all-out intervention a collapse of the financial structure, so successfully achieved during this year, can be anticipated.

Local free market rates: remittances to Canton in HK\$, at par; in PB\$, local \$198—199 per one million (or PB\$5050 per HK\$1); Chinese communist notes HK\$201½—202½ per one million. Gold and US\$ remittances on Shanghai, 101—104 ozs of gold, 93½—94 US\$; on Taiwan 87—88 ozs of gold, 90½—91 US\$ (per 100 in China and Taiwan). The New Taiwan yen quoted HK\$. 56 per one.

Business done here in PB\$ notes: 1030 million; in PB\$ drafts 4800 million, in HK\$ drafts HK\$450,000.

BANK NOTE RATES:—Per one foreign unit in HK\$: London 16.03—16.12, Australia 12.95—13.02, Canada 5.97—5.99, Malaya 1.75—1.75¾, India 1.15½—1.17, Burma .85, Philippines 2.02—2.04, Macao 1—1.03 (higher pataca rate indicates gold imports being on their way).

Per 100 currency units: Indochina 13—13.10, Indonesia, rupiah, 37—38, Siam 27.20—27½. Japanese yen per 10,000 \$150—159.

PERMISSIBLE STERLING TRANSFERS FROM ONE COUNTRY TO ANOTHER

1. AMERICAN ACCOUNT COUNTRIES

Intertransfers permitted: — U.S.A., Philippine Islands, U.S.A. Dependencies, Bolivia, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Salvador and Venezuela.

2. TRANSFERABLE ACCOUNT COUNTRIES

Intertransfers permitted from accounts designated as transferable:—Anglo-Egyptian Sudan, Chile, Czechoslovakia, Dutch Monetary Area, Egypt, Ethiopia, Finland, Iran, Italy, Norway,

Poland, Spanish Monetary Area, Sweden, Thailand and Union of Soviet Socialist Republics.

3. OTHER COUNTRIES

Intertransfers permitted: — Albania, Afghanistan, Andorra, Cyrenaica, Eritrea, Liberia, Libya, Nepal, Saudi Arabia, Southern Korea, Yemen.

4. SCHEDULED TERRITORIES

Intertransfers permitted. Some limitations imposed by local Controls in Australia, Fiji, Hongkong, India and Pakistan:—The British Empire (except Canada), British Mandated Territories of the Cameroons, Nauru, New Guinea, South West Africa, Tanganyika, Togo-land and Western Samoa, British Protectorates and Protected States, Burma, Jordan, Iraq and Iceland.

5. BILATERAL COUNTRIES

Intertransfers subject to Exchange Control authorisation:—Argentina, Austria, Belgian Monetary Area, Brazil, Bulgaria, Canada, China, Denmark, including Faroe Islands and Greenland, Formosa, French Franc Area, French Somaliland, Germany, Greece, Hungary, Israel, Japan, Lebanon, Paraguay, Peru, Portuguese Monetary Area, Roumania, Switzerland and Liechtenstein, Syria, Tangier, Turkey, Uruguay, Vatican City and Yugoslavia.

PERMISSIBLE TRANSFERS WITHOUT ANY FORMALITIES

- From 1 to 2, 3 and 4.
- From 2 to 3 and 4.
- From 3 to 4.
- From 5 to 4.

JAPANESE EXCHANGE BANKS

Foreign exchange banks in Japan authorized to handle trade transactions:

Foreign Banks

1. The National City Bank of New York, Tokyo, Osaka & Yokohama
2. Banque de l'Indochine, Tokyo.
3. Hongkong and Shanghai Banking Corporation, Tokyo, Kobe and Yokohama.
4. Chartered Bank of India, Australia and China, Tokyo, Kobe and Yokohama.
5. Netherlands Trading Society, Tokyo and Osaka.
6. Netherlands India Commercial Bank, Tokyo and Kobe.
7. Bank of America National Trust and Savings Association, Tokyo, Kobe and Yokohama.
8. The Chase National Bank of the City of New York, Tokyo and Osaka.
9. Bank of China, Tokyo and Osaka.
10. The Mercantile Bank of India, Tokyo and Osaka.
11. The Bank of India, Tokyo.
12. The Bank of Korea, Tokyo.

Japanese Banks

1. Bank of Tokyo, Ltd., 6, 1-chome, Nihombashi-Jongokuchō, Chou-ku, Tokyo, Cable address "Tohbank-tokyo."
2. Chiyoda Bank, Ltd., 5, 2-chome, Marunouchi, Chiyoda-ku, Tokyo, Cable address "Chyodabanktokyo."
3. Daiichi Bank, Ltd., 1, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Cable address "Fisthbanktokyo."
4. Fuji Bank, Ltd., 3, 1-chome, Otemachi, Chiyoda-ku, Tokyo, Cable address "Fuhibanktokyo."
5. Hypothec Bank of Japan, Ltd., 1, 1-chome, Uchisaiwai-cho, Chiyoda-ku, Tokyo, Cable address "Kangintokyo."
6. Teikoku Bank, Ltd., 1, 2-chome, Nihombashi-Muromachi, Cho-ku, Tokyo, Cable address "Teikobank."
7. Daiwa Bank, Ltd., 21, 2-chome, Bingo-machi Higashi-ku, Osaka. Cable address "Daibankosaka."
8. Bank of Osaka, Ltd., 22, 5-chome, Kitahama, Higashi-ku, Osaka, Cable address "bankosakosa."
9. Sanwa Bank, Ltd., 21, 3-chome, Imabashi, Higashi-ku, Osaka, Cable address "Sanwabankosaka."
10. Tokai Bank, Ltd., 18, 8-chome, Miyukimotomachidori, Naka-ku Nagoya, Cable address "Tokaibank-nagoya."
11. Bank of Kobe, Ltd., 56, Naniwacho, Ikuta-ku, Kobe, Cable address "Kobeginkokobe."

FUTURE OF A FREE GOLD PRICE

Last autumn the two Bretton Woods institutions held their annual meetings. There was a proposal by South Africa down for consideration, namely, that sales of gold at premiums should be allowed. The reason given for the proposal was the gap between the prices on the black markets and the official quotation in the United States. The proposal represented a step towards a free price for gold. It amounted in fact to a request to revise the gold policy hitherto followed by the International Monetary Fund. Owing to the rigid attitude in official circles in the United States the proposal never stood much chance of acceptance. Nevertheless it was referred to the International Monetary Fund for further consideration. Even at the time, this reference for further consideration was considered to be a camouflaged burial; and events have shown that this estimate was not mistaken. The report requested from the Monetary Fund is now available. It says, amongst other things, that the Executive Board of the Fund have carefully examined the representations. They base their judgment on thorough studies, prepared by members of their staff, of the various problems that arise; and they have carefully considered all the arguments for and against a change in the present attitude. After full discussion, however, the Executive Board have come to the decision that a change in their attitude is "not desirable". Comparatively large

amounts of gold continue to go into private hoards. True, they say, it is argued that a relaxation of the gold policy would increase only slightly, if at all, this loss of gold into private hoards, and would have the beneficial effect of getting rid of the premium on gold in terms of dollars, as well as reducing the premium in terms of the nonconvertible currencies. But in present circumstances, they go on, freer international movements of gold might lead to a growth of the private hoards in certain countries of the Middle and Far East, as well as in some other areas; and this might absorb a much larger portion than hitherto of the foreign exchange incomes of these countries, and might in addition reduce their monetary reserves. At a time when many countries' balances of payments show large deficits, which have to be covered by international credits and gifts, and when tight restrictions on exchange dealings and imports have to be retained in order to prevent collapse of the international payments system, large transactions in gold at premiums would increase the difficulty of restoring international equilibrium. They would lead to further tightening of the restrictions on exchange dealings and imports. In addition, they continue, it would be inevitable that dealings in gold at premiums would directly or indirectly encourage dealings in foreign exchange at prices below the official parities. Such dealings often occur in breach of the national laws; and in any case they encourage the circumvention of regulations which require the proceeds of exports to be sold at the official rate of exchange. Such dealings in foreign exchange at a discount on the par value may have undesirable and inappropriate effects on the trade balances of other countries. The gold policy of the Fund, during its three years existence, has at least had the result that the loss of newly-mined gold to the black markets has been smaller than if the members of the Fund, as well as some non-members, had not taken steps to give practical effect to the Fund's ideas. The South African proposal that the Fund should alter its present attitude in such a way that sale of half the production of new gold at premiums should be allowed, would lead in the manner outlined above to an increase in the quantity of gold on the black markets, and to a decrease in current receipts of foreign exchange, thus reducing foreign exchange reserves. In addition the proposal would destroy the fundamental distinction between the supply of gold for monetary purposes and the supply of gold for other purposes. In the meantime, the Executive Board explains since the South African proposal was made, the lowering of the par value of currencies in a large part of the world has in fact already produced an improvement in the position of many gold-producing countries. The Monetary Fund trusts that its members will continue to collaborate with the Fund in such a way as to give practical effect to the Fund's decisions.

This statement, in its details, is not free from a certain vacillation. It betrays an anxious fear of taking decisive steps-towards freedom. And above all, it gives no clear indication of the ultimate aim of the Monetary Fund's gold policy, unless indeed that indication is to be sought in phrases such as "in present circumstance" or "at the present time." No doubt the question of returning to a free and genuine gold price has become less urgent during the past few months than it seemed to be last year, because the premiums contained in the free prices have appreciably fallen. But the re-establishment of a genuine gold price is bound to be necessary sooner or later, if a way is really to be found out of the present labyrinth of exchange controls in the world. Randolph Burgess, the Chairman of the National City Bank of New York, said last year that the world in general will sooner or later return to the gold standard, because most nations have learned that they need protection from the excesses of their political leaders; and further, that for the United States the time will be ripe for reintroducing the principle of an unrestricted gold standard, as soon as the work of reconstructing the world's monetary system shall have at least reached the stage at which the most important currencies are freely convertible. It will however, not be enough to wait passively until this state of affairs is present. It will remain necessary to work continuously and actively to bring it about.

Singapore Share Market

The Malayan Share market saw a steady improvement in prices during the week ending October 28 although a momentary lull was noticeable in Tin shares upon receipt of the news that Tibet was being invaded by the Chinese Communists. These however recovered later. Tin reached a record high, advancing from \$441 to \$468 per picul. Spot rubber, however, dropped from St.\$2 per lb in the previous week to St.\$1.91 per lb buyers.

Industrial shares were firm during the week.

	Buyers (S\$)	Sellers (S\$)	% Yield based on last year's dividend
Alexandra Brick-works, Ltd. Ord.	1.95	2.00	10.0
Consolidated Tin Smelters	19/6	20/6	7.8
(sterling denomination)			
Fraser & Neave Ltd. Ord.	8.20	8.30	7.8
Gammon (Malaya) Ltd.	2.30	2.40	12.5
Hongkong & Sh'ai Banking Corp. ...	775.00	770.00	5.5
Malayan Breweries, Ltd.	5.20	5.30	7.0
Malayan Collieries, Ltd.	1.60	1.70	3.9
Overseas Assurance Corp., Ltd.	11.00	11.30	2.7
Overseas Chinese Banking Corp. ...	63.00	64.00	5.9
S'pore Cold Storage Co., Ltd.	5.10	5.30	5.7
South British Ins. Co.	38.50	40.50	2.9
Union Insu. Society of Canton	365.00	385.00	3.6

Hongkong Stock & Share Market:

Under the impact of the communist Chinese aggression in North Korea the market here became excited and there was some confusion noticeable. That Peking was to threaten the U.N. forces has not been deemed probable in spite of many rumors to the contrary especially during the last 2 weeks when convoys from Manchuria were seen entering Korea and communist Chinese soldiers were captured by the South Korean forces. Now the fact can no longer be concealed that Red China has taken the fateful plunge. Quick U.N. action may still curb the communists from taking more decisive action but in view of the propagandistic claims of Peking which no longer should be dismissed as idle threats a realistic view of the critical war situation in the north must be taken.

Towards the end of last week there were more sellers than buyers but prices remained firm. No feeling of uncertainty about local conditions was shown in a market which has recovered its stolid confidence in the secure future of this place. Turnover was extremely high and reports of excellent working results of companies in 1950 come in almost every day. The high degree of prosperity of the community is being borne out by the profitable operations of the Colony's public companies. Dividend expectations on a 1949 level are fully justified but a few companies may pay more than for last business year. Reserves should in practically every case show further strengthening. Investors these days are however more influenced by political than by pure business considerations and the war developments in the north are followed by the average investor with much more concern than the sound business conditions of our companies.

Last week's Stock Exchange Committee's report follows:

There was moderate activity in Utilities during the week and prices were fairly well maintained in spite of bearish reports on the political front. Insurance shares also kept steady but Banks lost ground in sympathy with lower London quotations. Cements came in for support at \$14 $\frac{1}{4}$, but Watsons declined on persistent selling to \$23 $\frac{3}{4}$. The undertone at the close was steady.

In the Rubber section a strong and unsatisfied demand continued with noticeable scarcity of scrip, and in line with the rise of the commodity most issues recorded spectacular gains. The market remains bullish.

HONGKONG COMMODITY MARKETS

The question of the supply of raw cotton continued to dominate the market last week, and it was evident that until a satisfactory solution to the problem had been found the deep anxiety felt throughout the Colony's textile industry would not relax. Consequently, great interest was aroused by the expected reopening of the Pakistan cotton exchange and some optimism was expressed that a settlement of the vital question could be looked forward to in a few days. This was based on reports that Pakistan's cotton crop for the present season was slightly larger than usual and that over half of this crop had not yet been disposed of, rendering it possible for Hongkong to draw supplies. Mill circles also hoped for a price decline, since at the present market rates for cotton the cost of producing yarn is higher than the ruling quotations for the commodity. American Cotton 1" quoted at \$3.95 per lb., Indian 4-F Roller Gin at \$3.90 and NT Roller Gin at \$4.10, at which prices the cost of producing a bale of yarn of 20 counts was above \$2100, while the market price was below this level. This was one of the chief reasons why the local cotton mills had ceased accepting new orders.

Meanwhile, so far efforts made to secure supplies from the American market had met with no concrete results, and local mills circles were turning their attention to South America, Egypt, East Africa and Turkey. However, it was pointed out that even if shipments could be obtained from these

Business reported during the week \$3,265,947. (Business reported for the 3rd Quarter 1950, \$10,497,238).

Business done during the week:

	Closing Rate	Sales Shares
H.K. Bank	\$1400	25
Union Insurance	685	393
China Underwriters	3 $\frac{3}{4}$	5,500
Asia Navigation72 $\frac{1}{2}$	40,000
Wharves	95	150
N. Point Wharves	6 $\frac{1}{2}$	2,000
H.K. Docks	16	2,200
C. Providents	12.30	2,400
Shanghai Docks	3.90	2,000
H.K. & S. Hotels	8.85	1,700
H.K. Lands	47	650
Shanghai Lands	1.60	2,500
H.K. Tramways	14.10	15,600
Peak Trams (O)	22	200
do (N)	11	500
Star Ferry	81	825
China Lights (O)	14 $\frac{1}{2}$	39,481
do (N)	10	20,833
H.K. Electrics	30	23,886
Macao Electrics (O)	10	3,200
do (N)	9 $\frac{1}{4}$	664
Telephones (O)	11 $\frac{1}{2}$	1,400
do (N)	10 $\frac{1}{2}$	1,000
Cements	14	12,900
Ropes	14 $\frac{1}{2}$	6,500
Dairy Farms (O)	15	13,865
do (N)	14	7,400
Watson	24 $\frac{1}{4}$	6,138
Yangtze	2 $\frac{1}{2}$	1,500
Ewo Cotton	3	2,900

countries, the cost would exceed \$5 per lb., which fact would in no way solve the urgent supply problem of the local mills.

The most noteworthy development for exporters during the past week was the imposition of an export ban on cotton yarn by the Hongkong Government as a means of maintaining the operation of the Colony's prosperous weaving and knitting industry. Trading in locally produced goods came to a practical standstill as holders were reluctant to liquidate in view of the refusal of the cotton mills to accept new orders on the pretext of the excessive cost of production. A fair volume of business, however, was done on Indian products, with prices tending towards easier levels owing to reduced buying interests at the new high rates, the continued arrival of small shipments from India and the complete cessation of demand from Thailand. Market prices in Thailand were reported to be some \$200 per bale lower than here, and as a result a cargo of about 400 bales on the way to that country was shipped back after having arrived at Singapore, as a profit of more than \$100 per bale could be realised by the owners by selling the goods at the inflated prices in the local market rather than in Thailand. The fear of additional supplies being diverted here from Thailand, which is said to possess large stocks, acted as a stabilising factor on the market. This bearish tendency was further aggravated by the announcement of the government ban on Friday, when prices recorded fresh losses of from \$20 to \$40 per bale. Commenting on the export ban, which is actually a control as exports are still allowed under special permit although very small quantities have been granted such permission, mills circles expressed the view that the restrictions should not be too stringent in order not to increase the difficulties of the cotton mills. The argument advanced was that not all the yarn produced was required here while certain products were entirely unsuitable for local consumption and had to be exported.

Cotton Yarn

In spite of the generally easy tone witnessed last week, market observers expressed the belief that the price advance would most likely soon resume. The bullish factors pointed out were the continued rise of cotton prices in the world markets, the present lower cost of yarn in comparison with raw cotton, and the possibility of a further increase in the Pakistan cotton export tax. The latest raising of the levy has sent up the cost of the raw material in Hongkong by 80 cents per lb. As a matter of fact, the market had already staged a rally on the last day of the week, indicating the continuance of a firm undertone and the very sensitive market sentiment. All brands of Indian goods gained during the day by \$30 to \$50 per bale. Losses sustained during the earlier part of the week were mostly recouped. Trading was confined to

scattered lots and chiefly to 20's. Market quotations for locally made items were very steady while Shanghai goods were marginally firmer. At last reports, Indian 20's Coimbatore Mills were transacted at \$1,880, Cocatoo at \$1,830, Gokak Mills \$1,770, Krishna Kumar Mills \$1,680, Phoenix Mills \$1,800, and Radhakrishna Mills \$1,780. Indian 32's Coimbatore Mills were quoted at \$1,960, Madura Mills \$1,980, and New City of Bombay \$2,150, all slightly lower than the previous week's closing quotations.

Cotton Piece Goods

Fluctuating in sympathy with cotton yarn, prices closed with gains for most items of \$1 to \$2 last week. Market demands were sluggish, due mainly to the reluctance of overseas traders to commit themselves at the current high prices. Normally displaying a good appetite, Thailand buyers had temporarily ceased their purchasing activity, as not only were local prices over 10% higher than those prevailing in that country, but previous intakes had been so large that Thailand now had accumulated a large surplus stock.

In the Grey Sheetings class, ABC eased 50 cents from the week preceding to finish at \$63 per bolt, while "Butterfly and Globe" registered a gain of \$2 at \$64 and "Green Peacock" \$1 at \$62. White Cloth improved by about \$1 to range from \$61 to \$65 per bolt, with "Ching Liang Yu" quoted at \$64.50, and Black Cloth by \$1 to \$3 to vary from \$63 to \$67 per bolt.

Owing to the heavy soaring of yarn prices, estimated at an average of 80% in recent months, a certain number of the local knitting mills are now experimenting with woollen yarn as a substitute for cotton yarn. While the cost of the materials produced will not vary much from those made of cotton yarn, the woollen products can be sold in the market at around 100% higher in price.

Woollen Yarn

After the exportation of large quantities of woollen yarn to Japan, local stocks have now fallen to about 300,000 lbs, consisting of some 50,000 lbs. of fine and 250,000 lbs. of coarse yarn. Of the stocks ordered at the end of last year and the beginning of this year, 90% has already been received. Current market prices are a fraction lower than those ruling in the United Kingdom and Australia. All these developments are strengthening sentiment in the market, where a bullish tendency has lately been prevailing. "Beehive" brand knitting wool was quoted last weekend at \$25.20 per lb, "B' B" at \$14, while the lowest priced "Three Goats" coarse yarn was sold at \$9.50. The current atmosphere differs entirely from that seen in April and May this year, when merchants offered their stocks for sale at a heavy loss of over 30% and also withdrew orders which had been previously placed with British manufacturers.

Metals

A sharp rise in quotations for tin and antimony featured the market last week. From \$900 the price for Tin Regulus 90% rose rapidly to \$980 per

picul and was quoted on Saturday at over \$1000, but without any business done. Local stocks of Antimony Ores are exhausted, with the price being variously quoted at from \$300 to \$350 per picul. Stocks of Wolfram Ore also dropped to less than ten tons, with sellers demanding on Saturday \$650 per picul. The Chinese Resources Commission, however, was reported to have a stock in Hongkong of over 1000 tons of Wolfram Ore which was being gradually shipped back to the mainland. Market circles disclosed that no further shipments would be sent here.

In metal products the successive depletion of stocks and the increasing difficulty in securing replenishments continued to strengthen prices. Brisk demand was reported on Galvanised Wire, on which as much as 500 tons changed hands on Thursday alone, with G8 transacted at \$80 per picul and G19 at \$84. Fairly active transactions were also witnessed in Galvanised Pipes, with $\frac{1}{2}$ " traded in at \$1.00 per foot and $\frac{3}{4}$ " at \$1.35. Japanese goods shared the major share of the business. There were some offers from factories of Mild Steel Plates and other products, but prices were high and shipment dates well advanced. Further easiness was shown by Tinplates and Blackplates, American Tinplates being transacted at \$158 per case of 200 lbs, and American Blackplates, G29-33, at \$80 per picul. Galvanised Mild Steel Sheets, G24, were last quoted at 81 cents per lb., Zinc Sheets G5 at \$350 per picul, and Galvanised Wire Netting G20 at \$52 per piece of 50 yards. Earlier market reports that France and Japan had banned exports were later denied, it being explained that shipment was still allowed if covered by export permit.

Industrial Chemicals

An unusually dull atmosphere prevailed in the market last week, with neither buyers nor sellers displaying much interest. Market sentiment, however, remained optimistic, primarily due to hopes of a revival of buying demand from the mainland. It was reported that the Chinese authorities had decided to list Caustic Soda under the category of special imports and all consumers could apply for import permits. Meanwhile, the price for the American product had eased to \$225 per drum, and that for the ICI brands to \$240. In the Canton market the latter was said to be selling at the equivalent of \$530, or more than 100% higher than in the local market. Sentiment was also stimulated by news that the South China authorities had started to accept applications for licences for the fourth quarter as from November. Large amounts of important chemicals were expected to be approved for import. Scattered amounts of White Vaseline were transacted at \$1 per lb., Paraffin Wax 160° at \$96 per picul, and Bicarbonate of Soda at \$55 per 100-kilo bag. Quebracho Extract "Crown" also tended to improve, with business done at \$136 per bag, and Mimosa Extract "Elephant" at \$3,500 per ton.

The dull season having set in, little business was reported on Sulphate of Ammonia. Some interest was shown

by Swatow importers and the Japanese "Harvest" brand was traded in at a marginally better rate of \$560 per ton. Shipments from the United States and Belgium were expected to start coming soon to augment local stocks. On Saturday American "Boat" brand was quoted at \$580 per ton, and "Crescent" at \$640 per ton.

Dyestuffs

Following a lull over the first four days of the week, the market began again to show activity during the last two trading days, during which over 100 piculs were dealt in. Included in these were 40 piculs of NACCO Sulphur Black at \$380 per picul, 20 piculs ICI Navy Blue at \$260 per picul, 20 piculs CALCO Crocein Scarlet at \$1,900 per picul, five piculs of Fenoxy Carbon at \$300 per picul. Minor lots of various other dyes were also disposed of during the two days. The present quietness is due mainly to the expiry of import licences in China, but with the commencement of the issue of new licences for the fourth quarter of the year, hopes in the market are increasing for an early revival in buying demand.

Paper

Brisk trading and firm prices were again seen in the market last week as the interest of buyers continued. Higher factory prices were quoted for Austrian White and Coloured M. G. Cap, Flint Paper and White Book Printing Paper, as well as Austrian, Polish and Czech Manifold Paper, M. G. Pure Sulphite and Tissue Paper. Japanese paper mills ceased to make offers in the local market, but announced that they would consider price offers from buyers. Worthy of note in the trading last week was that Shanghai importers were very active and committed themselves, among various other items, on 5,000 tons of Rolled Newsprint at 68 cents per lb. It was reported that the foreign trade authorities in Shanghai had lately issued many import licences for foreign paper as a means of relieving the great shortage. The Philippines and India also displayed interest. Over 3,000 bobbins of Cigarette Paper were disposed of, the prices being \$18 and \$20 per bobbin, and over 10,000 lbs. of Aluminium Foil of Austrian make went at \$2.90 per lb.

Business was done on other products at the following prices: 32-lb. Bond \$40 per ream, Duplex Board 240-lb. \$270 per ream, M. G. Sulphite \$23 per ream, Tissue Paper 15-lb. \$34 per ream, and Woodfree Printing 42-lb. \$1.45 per lb.

Rubber

The sensational increase in prices continued unabated last week, with the result that the quotaion for No. 1 Smoked Sheets shot above the \$500 mark to touch \$530 per picul, representing another gain of \$30 as compared with the highest for the last 25 years, but later sagged to St\$2.04. Owing to this abnormal rise of the market, trading was practically halted. With the ceaseless soaring of rubber prices, the future

of the local rubber manufacturing factories is further threatened. For No. 2 Smoked Sheets the price last quoted was \$525 per picul, for No. 3 \$520, and for No. 4 \$515.

Gunny Bags

The market shot up further last week under the acute shortage situation. Due to the limited spot cargoes available in market, business done during the period was very limited. A lot of less than 100 pieces Indian Heavy Cees was traded in on Thursday at \$5 per piece. Old bags were sold at \$4.10. No arrivals have been recently reported, and owing to the fraud cases reported last month, buyers were exercising the greatest caution when contemplating placing orders.

Hides

With an inadequate stock of hides to meet the demand, the market displayed great firmness last week on active bidding from buyers. For 1580 Cowhides traded in on Monday, the price reached \$816 per picul, the highest seen in the last few months. The tendency subsequently weakened somewhat, and at the close light weight products were quoted at \$798 per picul, medium weight and heavy weight at \$672; Buffalo Hides of 20 lbs. up stood at \$277.50, and 40 lbs. up at \$314.50.

China Produce

Trading interest in the market last week was moderately active and prices kept to a steady level. A batch of over 400 drums of Teaseed Oil changed hands on Thursday at \$158 per picul, showing an improvement of \$4 per picul as compared with the rate previously reported. Tung Oil ruled steady but featureless, over 100 tons were recently transacted at US\$585 per metric ton c. & f. Japan. New crop products were said to have arrived in the Canton market and were quoted at CPB\$760,000 per picul. Local business was still done at \$183 per picul. There was a paucity of trading in Aniseed Oil and Cassia Oil, which registered little change at \$870 and \$2200 per picul respectively. From Shanghai it was learned that Tung Oil exports from January to September this year amounted to 17,500 tons, mostly exported by way of Hongkong, where the October exports amounted to 5,267 short tons.

Much trading was seen in Peanut Kernels, several large quantities of Tientsin produce having been sold at \$72 per picul. With large supplies invading the market, Gallnuts continued to sink to lower levels and saw business at \$92 per picul. Comparatively good business was transacted on Cassia Linea; West River cargo in bulk changed hands at \$59, in 60-catty packing at \$59 and in 84-catty packing at \$60. Business was also reported on 90 piculs of Szechuan Silk at \$870 per picul. Increased arrivals depressed Rosin, No. 1 East River produce receding to \$43 per picul.

Arrivals of China Produce

Shipments of most major China produce unloaded in Hongkong last week showed a marked reduction as compar-

COMMERCIAL REPORTS

Peking Exports to USA

Declared exports destined for the United States, as reported through the offices of the British Consulate General in Peking, amounted to US\$141,809 in July 1950 with a cumulative total of US\$866,311 reported in the 5-month period from March through July 1950. In comparison, consular declared exports to the United States from Peking in July 1949 were valued at US\$12,671 and from March through July 1949, the total amounted to US\$52,198.

Japan-Ryukyu Trade and Financial Arrangements

Trade and financial arrangements for the year July 1, 1950 to June 30, 1951 between Japan and the Ryukyu islands were concluded on September 22, 1950. The financial arrangement provides that all trade between the two areas shall be conducted in terms of United States currency and payments shall be made in cash on an individual transactional basis or through normal United States Government fiscal procedures and instruments. The trade plan under the trade arrangement anticipates Ryukyu exports to Japan during the period amounting to \$5,000,000 whereas imports from Japan into the Ryukus during the same period (including imports financed with US appropriated funds for aid to the Ryukyu and imports for the US military construction program in the Ryukyu) are expected to amount to \$40,730,000.

United States-Indonesia Economic Cooperation Agreement

On October 16, the Minister of Foreign Affairs of the Republic of Indonesia and the American Ambassador to

ed with the previous week, the decline being especially great in cassia linea, tea and tung oil. On the other hand sharp increases were seen in the arrivals of sesamum seed and rosin. It is interesting to note that the variety of commodities lately shipped from the mainland to this Colony tends to include many products which were not export ed here before except in insignificant quantities.

A list of the more important arrivals during the week follows:

Ramie	4,273 pkgs.
Tea	2,438 chests
Tung Oil	1,687 drums
Cassia Linea	1,631 pkgs.
Gallnuts	648 "
Rosin	1,585 cases
Straw Mattress	2,860 pkgs.
Chinaware	2,218 "
Teaseed Oil	391 drums
Aniseed Star	291 pkgs.
Hides	244 "
Raw Silk	205 "
Feathers	112 "
Leaf Tobacco	70 "
Hog Casings	48 "
Rapeseed Oil	110 drums
Aniseed Oil	22 "
Cassia Oil	20 "
Bean Cake	11,600 cakes

that country, signed an agreement providing for economic cooperation between their governments. This agreement results from recommendations made by the Griffin Economic Survey Mission which visited Indonesia in April of this year.

As a result of discussions with Indonesian officials at the time of the Griffin Mission's visit to Indonesia, it was decided that assistance could advantageously be made available in the form of supplies and technical advice in fields of public health, agriculture, fisheries, industry, and education, the United States Government to furnish such assistance in these fields as may be requested by the Indonesian Government. The agreement outlines understandings under which such technical and economic assistance will be furnished.

An initial request for urgently needed supplies has been prepared by the Indonesian Government. These supplies will include, for example, materials for small-holder rubber producers, agricultural tools, such as hoes and small plows, medical supplies, and motorized fishing vessels. These supplies will not only be obtained in the United States, but also in such other countries where they are readily available.

Rubber Production & Consumption

Setting a new mark for the third month in succession, world production of natural rubber reached 170,000 long tons in August. Output in July was estimated at 167,500 tons and in August a year ago at 132,500 tons.

In the first eight months of this year production was estimated at 1,160,000 tons, up 22.1 percent from the 950,000 tons estimated in the same period of 1949. World production of natural rubber exceeded consumption by 92,500 tons in the first eight months of this year.

Malayan output in August was about 62,700 tons, and in January-August the figure was 450,700 tons compared with 438,200 tons in the like period of 1949.

Rubber exports from Indonesia in August were calculated at 67,212 tons, including 13,905 tons of estate rubber. The calculated figure for exports of native (smallholders) rubber, 53,307 tons, was a new record. In January-August 1950, exports totaled 413,848 tons (309,916 native), up 61.8 percent from the 255,806 tons reported in January-August 1949, and up 2.2 percent from the 404,778 tons reported in January-August 1941, the previous high.

World new rubber consumption was estimated at 185,000 tons in August, compared with 182,500 tons in July, and 142,500 tons in August 1949. Of the August 1950 total, 132,500 tons were natural rubber, and 52,500 tons synthetic.

For the first eight months of 1950, new rubber consumption was estimated at 1,422,500 tons, of which 1,067,500 tons were natural, and 344,000 tons were synthetic. In the same period of 1949, total consumption was 1,250,000 tons, consisting of 942,500 natural and 307,500 synthetic.

Included in these consumption figures are estimated imports of natural rubber into Russia amounting to 5,000 tons in August 1950, 40,000 tons in January-August 1950, and 77,500 tons in January-August 1949.

Synthetic rubber production in August was estimated at 50,000 tons, the highest level since April 1947. The January-August 1950 output was estimated at 327,500 tons, as against 312,339 tons in January-August 1949. Russian production is not included in these figures.

World stocks of natural rubber, excluding Russian holdings, and excluding Government stocks in the United States, the United Kingdom, and France, were estimated at 735,000 tons at the end of August, consisting of 247,500 tons in producing countries, 222,500 tons in consuming countries, and 265,000 tons afloat. Total stocks on January 1, 1950 were 725,000 tons, but stocks in consuming countries were 260,000 tons. World stocks of synthetic rubber, excluding Russia, were estimated at 70,000 tons on August 31, down 40,000 tons from the start of the year.

Hongkong Cotton Pool—Role of Hongkong & Shanghai Bank

The Quarterly Review of the British firm of The China Engineers Ltd. write that they mentioned in their last Report the formation of a cotton pool in Hongkong, to concentrate through them the purchase of the major requirements of cotton and to sell through them all the yarn and cloth produced by the Mills. It has been successful. Since its formation in July the firm have bought or financed 23,000 bales of cotton, representing a turnover of about £1,500,000.

The firm goes on to write:—Through the financial facilities that we provided, the Mills were able to buy much larger quantities of cotton, and as the market has since risen by about 25—30% they have made a saving of several million dollars and are now in a fairly strong financial position. We must here pay tribute to the assistance rendered by the Hongkong & Shanghai Bank, at a time when all other Banks were restricting credits, owing to the Korean situation. Once again, the Hongkong & Shanghai Bank was a great stabilizing influence, steady as a rock, employing its great resources in a wise and wholly benevolent manner. If we accept the definition of wealth as "the possession of the valuable by the valiant" and that "wealth presupposes a capacity for using it," then truly the Hongkong & Shanghai Bank is wealthy in every sense of the word. The very distinguished men who manage it are certainly valiant, and their courage stands out all the more in the general panic. We hope that our Chinese friends, and especially the members of the Hongkong Canton Pool will realise this a little, and remember it also in the palmy days when the panic is over, when everybody is ready to assist.

Revival of China Import Trade

The British firm of The China Engineers Ltd., report as follows in their current Quarterly Review:—

There is a decided improvement in our business. During the past few weeks a large number of Import Licences have been issued, accompanied by the granting of foreign exchange to pay for the goods. This means that for the first time for nearly two years we have been able to secure some indent orders in fair volume, chiefly for dyestuffs, steel and small tools.

Besides this welcome new business, we have been able to clear a large number of old outstanding orders. Much of the cargo supplied under these old orders was stored in England or Hongkong either waiting for licences or for the means of paying the freight and insurance. Practically all the cargo had been paid for, either by us or by our clients, but very few of our clients had any foreign exchange to pay for freight and insurance, until finally the Government came to the rescue and agreed to provide the necessary foreign exchange, so that the cargo began to move. These outstanding orders gave us some anxiety, and it is a weight off our mind to see them cleared at last. Moreover, it is an encouraging sign of the realistic attitude of the (Chinese) Government, demonstrating their willingness and ability to help the normal conduct of business.

Our early faith that import business by foreign firms could be done under the new regime is thus being realised, and has taken shape in the normal methods of trading, which we did not regard as possible. We always supposed that the Government would not be able to provide foreign exchange for a very long time. Noting that they started with an empty treasury, without any resources in foreign currency, we expected that imports would only be transacted on a barter or link system, exchanging imports for exports. We anticipated moreover, that there would be a dearth of export cargo, owing to the unsettled state of the country after the long civil war, and the disrupted communications. These difficulties have been overcome with remarkable success, and much sooner than expected, so that a steady flow of exports has been maintained, and resources in foreign exchange have been built up. This has enabled the Government to grant foreign exchange for imports. These accomplishments have been carried out in face of the severe handicap that Shanghai, the largest port in the country, through which in former days about 80% of the whole trade was transacted, has remained closed by the blockade, and by mining of the approaches. These signs are encouraging.

In addition to these regular indents, we secured an order from the Government for 2,000 bales of American cotton, which we delivered at Tsingtao, and which was punctually paid for in accordance with the terms of the contract. No delay as in the old days. No bribing of the cashier to ensure prompt payment. Everything regular and businesslike. We secured another Government contract for 5,000 bales of Indian Cotton.

Major China Produce Exports

Exports of major produce from China, including tung oil, bristles, raw silk, ramie, medicinal herbs and furs and skins, have increased sharply in recent months.

Outgoing shipments from Chungking in the first nine months of this year totalled over 119,000 tons, representing an increase of four times over the total for the whole of last year. At the same time large quantities of medicinal herbs, tung oil, tea, and leaf tobacco are also being shipped out from Chengtu via the Szechwan-Shensi highway; and also big shipments of tung oil and rapeseed oil from Kwei-yang to Hunan and Kwangsi.

One of the chief factors stimulating the export increase is the reduction in freight rates by the Szechuan Shipping Bureau, these having been successively lowered by 30% thus rendering exports more profitable.

Hongkong's China Produce Imports in September

Imports of tung oil, hog bristles and teaseed oil into Hongkong were comparatively large in September.

Tung oil imports during the month were estimated to total 126,923 piculs valued at \$21,295,227 all originating from China, especially South China. The exports for the period amounted to 123,358 piculs having a value of \$22,452,641. Shipments to the United States were the largest, aggregating 83,420 piculs valued at \$18,688,498; the United Kingdom coming next with 17,712 piculs valued at \$3,216,416.

Hog bristles imported during the month amounted to 1,983 piculs valued at \$2,511,240. Of this quantity all came from South China except 38 piculs which were imported from Japan. The exports came to 1,076 piculs worth \$3,439,040, and of this the largest exports were made to the United States, amounting to 860 piculs valued at \$3,194,685.

During the same month, teaseed oil imports were estimated at 5,238 piculs having a value of \$804,591, all shipped here from South China. The exports totalled 8,455 piculs valued at \$1,574,410, all forwarded to the United Kingdom.

Increase of Freight Charges

Hongkong trade circles have received information from British manufacturers that the freight charges of British ships operating services to the Far East will be generally increased as from

January 1 next year. The rate of increase, however, has not yet been decided upon.

During the last two months freight charges from Canada to Hongkong have been raised by 10 to 20 percent, and from the American West Coast, by 10 percent. It has also been lately reported that rates on the Thailand, India and Japan routes may at any time be readjusted.

Local market circles point out that the increase in transportation costs, when put into effect, must cause a rise in commodity prices in the Colony.

Hongkong-Shanghai Trade

The movement of freight on the Hongkong-Shanghai shipping route has witnessed a sharp decline of late, indicating hesitation in merchant circles over the purchase of stocks. As a result, shipping charges have fallen to only \$60 per ton, the lowest on record for the past year.

Meanwhile, the importance of Hongkong as a transhipment centre has been affected since most countries of the world, especially the United States, have imposed controls over exports and banned the export of war materials. Local traders are watching with concern the growing tendency towards the import of goods into China by direct shipment from India, Thailand and other countries.

Taiwan Sugar Exports

Two steamers loaded with a total of 7,150 tons of sugar have left Keeling for Hongkong, according to a report from Taipeh. Another vessel was loading 6,500 tons of sugar at Keeling for shipment to Japan.

Hongkong-Macao Shipping

Putting an end to a long period of keen competition, the operators of six steamers on the Hongkong-Macao run have entered into an agreement for cooperation and have raised their passenger fares to a uniform level, taking effect from November 1.

The special class has been raised to \$25, and first class from \$14 to \$20, depending on the facilities offered by the different steamers. Excepting one vessel which charges \$6 per passenger, the price for the steerage class in all the ships has been raised from \$1 or 2 to \$5.

Trade between HK and Fukien Ports

Ships plying between Hongkong and Fukien ports of Amoy, Hankiang, Chuanchow and Foochow, have of late

been fully laden with cargo and passengers. The cargo brought to the Colony consists of tea, fruit, vegetable oils and other China produce for transhipment to Malaya, Indonesia, Indochina, Burma and India.

HK-Singapore Radio-Telephone Service

Hongkong and Singapore are now to be linked by radio-telephone. Hongkong Telephone Co. and Cable & Wireless Ltd. announce that the new service will come into operation on November 15. Times of service will be 1.30 p.m. to 4 p.m. daily at a charge of HK\$30 for 3 minutes.

U.S. Trade with Asia

According to figures recently issued by the U.S. Dept. of Commerce, goods exported to China during August amounted in value to US\$8.9 million as compared with \$3 million in July. Shipments from China to the United States totalled US\$11.7 million as against \$12.2 million for July. Exports from the U.S. to Manchuria were valued at \$2.7 m., but no imports were received from that country. Shipments to Taiwan amounted in value to \$1.1 m. (July \$2 m.), and goods received from the island were valued at \$100,000 (July \$100,000).

Exports from the U.S. to other countries in Asia were: Japan US\$33 million, the Philippines \$16.5 m., Hongkong \$11.1 m., and India \$11. m.

Shanghai Exports for September

The improvement in Shanghai's trade is borne out by the publication by the Shanghai Commodity Appraisals Bureau of figures showing that the total value of commodities declared suitable for export in September amounted to JMP414,913 million (about US\$18.4 million), or an increase of 66% over the value of JMP165,355 million for commodities approved for export in August.

The following quantities were approved for September export: Vegetable oils (tung oil, rapeseed oil) 35-836.8 quintals; tea (black, green, scented) 17,158.26 quintals; animal hairs (mountain goat, sheep, camel) 1,924.5 quintals; feathers (duck, goose) 838.26 quintals; furs 196,100 pieces; bristle 908.5 quintals.

Canton Shipping

Figures issued by the Canton Shipping Bureau show the increased shipping now handled by that port. In January 1950 the total volume of

freight between Canton and the coastal ports was only 88,222 tons, the blockade by the Kuomintang having throttled shipping movements to a certain extent. In July, 11 vessels, mainly of 100 tons but with two above that tonnage, were on the regular run between Canton and southern coastal ports such as Swatow and Hoihow; these ships carried 11,850 passengers and 12.9 million tons of freight outward, bringing back 3,309 passengers and 1.8 million tons of freight. In August outward traffic showed 6,305 passengers carried and 19.5 million tons in freight, while inward traffic showed 8,108 passengers and 12.7 million tons of freight.

From Hoihow such commodities as coconut oil, rubber, and betel nuts are taken to Canton; from Swabue are obtained marine food; from Swatow are obtained cloth, cotton, and locally manufactured products.

Economic Report from Taiwan

As in previous months, business activity continues very slow in the face of a tight money supply, although a temporary boom in the sugar, medicine, metal, and textile markets was reported as a result of the soaring of prices for these commodities in Japanese and Hongkong markets.

A slight decrease in the overall currency in circulation, including both the regular and extra note issues, of NTY 872,316 at the end of August was reported as compared to July. (The total of both at the end of August was given as NTY238,493,850).

Industry: Reflecting the current world situation, the Provincial Supply Board allocated US\$3 million for the purchase from Japan of a variety of staple materials for local industrial and mining enterprises. The Provincial Industries and Banking Subcommittee authorized a loan of NTY500,000 to the Taiwan Alkali Industries Corporation for the installation of equipment to produce liquid soda.

Foreign Trade: During August exports earned a total of US\$5,945,052, while US\$6,034,209 was expended for imports, leaving a deficit of \$89,157. Sugar exports, the principal earner of foreign exchange, dropped by \$434,983 as compared with July. However, there were steady arrivals of ECA supplies, mostly chemicals and fertilizers, through Keelung and Kaohsiun during August.